# (33,432, 33,433)

# SUPREME COURT OF THE UNITED STATES

**OCTOBER TERM, 1928.**

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## No. 131

THE ST. LOUIS AND O'FALLON RAILWAY COMPANY AND MANUFACTURERS' RAILWAY COMPANY, APPELLANTS,

*vs.*

THE UNITED STATES OF AMERICA AND THE INTERSTATE COMMERCE COMMISSION

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## No. 132

THE UNITED STATES OF AMERICA AND THE INTERSTATE COMMERCE COMMISSION, APPELLANTS,

*vs.*

THE ST. LOUIS AND O'FALLON RAILWAY COMPANY AND MANUFACTURERS' RAILWAY COMPANY

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APPEALS FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE EASTERN DISTRICT OF MISSOURI

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[fols. 6 & 7]

**IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF MISSOURI, EASTERN DIVISION**

MINUTE ENTRY OF FILING OF BILL OF COMPLAINT—May 3, 1927

Now on this day come plaintiffs in the above entitled cause and file herein their bill of complaint; whereupon a subpœna in chancery is issued directed to defendants, returnable June 2, 1927.

IN THE

# DISTRICT COURT OF THE UNITED STATES

FOR THE EASTERN DIVISION OF THE EASTERN JUDICIAL DISTRICT OF MISSOURI.

THE ST. LOUIS AND O'FALLON RAILWAY COMPANY and MANUFACTURERS' RAILWAY COMPANY,
Petitioners,

vs.

UNITED STATES OF AMERICA and INTERSTATE COMMERCE COMMISSION,
Defendants.

## PETITION.

To the Honorable, the Judges of said District Court:

Your petitioners, The St. Louis and O'Fallon Railway Company, hereinafter called the "O'Fallon," and Manufacturers Railway Company, hereinafter called the "Manufacturers'," bring this action against the United States of America and the Interstate Commerce Commission, hereinafter called the "Commission," for the purpose of enjoining, setting aside, annulling and suspending a certain order of the Commission, not relating to transportation, made and entered February 15, 1927, in proceedings begun

by the Commission, not upon the petition of any party but on its own motion, heard and determined together, and designated as:

(a) "Excess income of St. Louis & O'Fallon Railway Company," being No. 3908 on the Finance Docket of the Commission; and

(b) "Excess income of Manufacturers' Railway Company," being No. 4026 on the Finance Docket of the Commission.

For their cause of action petitioners further state:

(1) The O'Fallon is, and at all times hereinafter mentioned was, a railroad corporation duly organized and existing under the laws of the State of Illinois, owning, maintaining and operating a line of railroad situated in the State of Illinois, and engaged in the transportation by railroad of freight, for hire, in interstate and foreign commerce, and a common carrier by railroad, subject to the Interstate Commerce Act. The principal operating office of the O'Fallon is now, and was at all such times, situated in the City of St. Louis, in said Eastern Division of said Eastern Judicial District of Missouri.

(2) The Manufacturers' is, and at all times hereinafter mentioned was, a railroad corporation duly organized and existing under the laws of the State of Missouri, owning, maintaining and operating a line of railroad situated in the State of Missouri and in the Eastern Division of said Eastern Judicial District thereof, and engaged in the transportation by railroad of freight, for hire, in interstate and foreign commerce, and a common carrier by railroad, subject to the Interstate Commerce Act. The principal office and the principal operating office of the Manufacturers is now, and was at all such times, situated in

the City of St. Louis, in said Eastern Division of said Eastern Judicial District of Missouri.

(3) The United States of America is made defendant in this suit pursuant to the Commerce Court Act (36 Stat. at L. 539), approved June 18, 1910, and to the District Court Jurisdiction Act, being part of the Urgent Deficiencies Act (38 Stat. at L. 219), approved October 22, 1913.

(4) The Commission is an administrative tribunal created by the Act to Regulate Commerce (24 Stat. at L. 379), approved February 4, 1887, as amended (the Interstate Commerce Act), and is specifically charged with the administration and enforcement of said act, including Section 15a thereof, added by Section 422 of the Transportation Act 1920 (41 Stat. at L. 456).

(5) Said section 15a makes it the duty of the Commission so to adjust the rates to be charged by common carriers, subject to the Interstate Commerce Act, that such carriers as a whole (or as a whole in such groups as may be established by the Commission thereunder) will earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation; and further declares that any carrier which, under the provisions of said section, shall receive for any year a net railway operating income in excess of six per centum of the value of the railway property held for and used by it in the service of transportation, shall hold one-half of said excess as trustee for and shall pay it to the United States; and provides that the remaining one-

half of such excess shall be placed in a reserve fund to be established and maintained by such carrier, and that said reserve fund may be drawn upon by such carrier for the purpose of paying dividends or interest on the stocks, bonds or other securities of said carrier, or rent for leased roads, to the extent that its net railway operating income for any year is less than a sum equal to six per centum of the value of the railway property held for and used by it in the service of transportation, but for no other purpose and in no other event; provided, however, that such fund need not be accumulated and maintained by any such carrier beyond a sum equal to five per centum of the value of its railway property, determined as provided in said section.

Said section also provides that for the aforesaid purposes thereof the value of the railway property and the net railway operating income of a group of carriers, which the Commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole, irrespective of the separate ownership and accounting returns of the various parts of such system.

(6) Section 13 of the Interstate Commerce Act authorizes the Commission to institute an inquiry on its own motion into any matter concerning which any question may arise under any of the provisions of said act or relating to the enforcement of any of the provisions thereof.

Section 14 of said act provides that whenever an investigation shall be made by the Commission, it shall be its duty to make a report in writing in respect thereto which shall state the conclusions of the

Commission, together with its decision, order or requirements in the premises.

Section 16 of said act makes it the duty of every common carrier, its agents and employes to observe and comply with all orders made by the Commission so long as the same shall remain in effect, and further provides that any carrier subject to the provisions of said act, or any officer, representative or agent thereof that knowingly fails or neglects to obey any order made by the Commission under said section 13 shall forfeit to the United States the sum of five thousand dollars ($5,000.00) for each offense, and that in case of a continuing violation each day shall be deemed a separate offense.

Section 10 of said act further provides that any common carrier subject to said act, or any director, officer, agent or other representative or employe thereof, omitting or failing to do any act, matter or thing in said act required, shall be guilty of a misdemeanor and, upon conviction, shall be subject to a fine not to exceed five thousand dollars ($5,000.00).

(7) (a) On the 14th day of May, 1924, the Commission, by an order made by it, instituted an investigation of its own motion in the proceedings aforesaid (Finance Docket Nos. 3908 and 4026), for the purpose of determining whether the net railway operating income of the petitioners or either of them or both of them combined (if regarded as a single system) for the ten months ending December 31, 1920, and for the calendar years ending December 31, 1921, December 31, 1922, December 31, 1923, or any of said periods, hereinafter called the "recapture period" or "periods," exceeded six per centum of the aggregate

value of the railway property held for and used by said petitioners, or either of them, or by both of them combined (if regarded as a single system), in the service of transportation, and for the purpose of entering such orders as the Commission might determine, after such investigation, to be appropriate in the premises, and set said proceedings together for formal hearing and the taking of testimony, a copy of which order is hereto annexed and marked "Exhibit A" and made a part hereof.

(b) Thereafter formal hearings were had in said proceedings at which evidence bearing upon the issues therein was introduced both by petitioners and by the Commission.

(8) Thereafter in said proceedings the Commission purported under Section 15a of the Interstate Commerce Act to determine the value of the railway property of petitioners, held for and used by them in the service of transportation, and the net railway operating income received by petitioners during the recapture periods, and the amount thereof in excess of six per centum of said value.

(9) In said proceeding the Commission, on, to wit, February 15, 1927, made and entered its order of said date (being the order herein complained of), and in said order the Commission referred to and made part thereof a "report" of the Commission "containing its findings of fact and conclusions thereon"; but in fact said report, findings and conclusions were not made public, nor were said report, findings, conclusions or order made known to or served upon petitioners until, to wit, March 31, 1927. A copy of said report and order, marked "Exhibit B," is attached hereto and is hereby referred to and

made part of this petition with the same effect as though herein set out at length.

(10) In and by said report and order, the Commission found that for the last ten months of 1920, and for the respective calendar years 1921, 1922 and 1923, the value of the railway property of the O'Fallon held for and used by it in the service of transportation, its net railway operating income, and the excess thereof over six per centum on the value so found, were as follows:

| Year | Value | Net Railway Operating Income | Excess |
|---|---|---|---|
| 1920 (last 10 mos.) | $856,065.00 | $147,519.89 | $106,755.96 |
| 1921..... | 875,360.00 | 182,726.73 | 130,205.13 |
| 1922..... | 978,874.00 | 165,123.47 | 106,391.03 |
| 1923..... | 978,246.00 | 169,103.98 | 110,409.22 |

In and by said report and order the Commission found that the net railway operating income of the Manufacturers' did not exceed six per cent of the value found for its railway properties during the recapture periods, and also found that the O'Fallon and the Manufacturers' did not constitute a group of carriers under common control and management *and* operated as a single system.

(11) On the basis of the aforesaid findings the Commission, by said report and order, found that one-half of the excess net railway operating income determined as aforesaid was held by the O'Fallon as Trustee for the United States, and directed and required the O'Fallon, within ninety days from the date of said order, to pay to the Commission the following sums of money, to wit:

(a) $53,377.98 with interest thereon at the rate of 6 per cent per annum from May 1, 1921.

(b) $65,102.56 with interest thereon at the rate of 6 per cent from May 1, 1922.

(c) $53,195.51 with interest thereon at the rate of 6 per cent per annum from May 1, 1923.

(d) $55,204.61 with interest thereon at the rate of 6 per cent per annum from May 1, 1924.

(12) And by said order the Commission further directed and required that the remaining one-half of the so-called excess net railway operating income of the O'Fallon during the aforesaid recapture periods, so found by the Commission, be placed in a reserve fund of the kind described in paragraph (6) of said section 15a.

(13) (a) By said report the Commission found and held that the O'Fallon and the Manufacturers' constituted a group of carriers under common control and management, but that they were not operated as a single system.

(b) Said conclusion that they were not operated as a single system during the recapture periods, is based upon an erroneous interpretation of the law as applied to the facts appearing on the face of the report, and is contrary to the uncontradicted evidence before the Commission. It is also contrary to all the relevant facts, including those before the Commission.

(c) The facts at all such times were as follows: The Manufacturers' owns and operates about thirty miles of main and subordinate tracks in the City of St. Louis. Its service is that of a terminal or switching carrier, and it has interchange connections with all of the trunk lines through the Terminal Railroad

Association and its subsidiaries (hereinafter collectively called the "Terminal") and direct interchange connections with the Missouri Pacific Railroad.

The O'Fallon operates about twenty-one miles of main and subordinate tracks in Illinois, the main line extending from a connection in East St. Louis with the Terminal to certain coal mines that produce its main traffic. It also handles a substantial volume of traffic received near its eastern terminus from a connecting line that serves coal mines not owned by the proprietors of the O'Fallon. The traffic moving over it is distributed widely, not only in East St. Louis and St. Louis, but also through the West and Northwest and moves over its rails in connection with the Terminal or with the Alton & Southern Railroad (an independent switching and terminal carrier located and operating in East St. Louis) to various points of interchange with other lines in East St. Louis and St. Louis. A substantial part of the traffic originating on and delivered to the O'Fallon moves over the rails of the Manufacturers to delivery points on the tracks of the latter. The greater part of the traffic interchanged between the O'Fallon and the Manufacturers uses the intervening facilities of the Terminal which are physically connected with the rails of both petitioners and so afford a usable and available facility connecting their tracks.

The facilities of the Terminal were at all times herein mentioned made available to petitioners and all other connecting carriers, by a decree entered under the direction of the Supreme Court of the United States in certain cases decided by it, entitled:

*U. S. v. Terminal Railroad Assn.*, 224 U. S. 383, at p. 411; *U. S. v. Terminal*, 236 U. S. 194; and *Terminal v. U. S.*, 266 U. S. 17, at pp. 23, 24. The Terminal owns all of the railroad facilities directly connecting St. Louis and East St. Louis.

The tracks of the railroads entering St. Louis and East St. Louis respectively, even in the case of those railroads having tracks in both cities, do not connect directly with each other in either city, in any way that enables them to cross the Mississippi River directly between said cities, except by the use of the tracks of the Terminal; and the tracks of the O'Fallon and the Manufacturers are connected with each other by the use of the facilities of the Terminal in the same manner (above stated) that the tracks of all said railroads respectively in St Louis and East St. Louis are connected.

While, for reasons of economy and operating convenience, interchange of traffic between the O'Fallon and the Manufacturers' has been customarily made over the tracks of the Terminal in trains operated by the Terminal, the O'Fallon and the Manufacturers' each had and have the right to operate their own trains over the tracks of the Terminal at any time, and they have exercised said right from time to time whenever, in the opinion of their respective railroads, it was their interest to do so.

The estate of Adolphus Busch (including members of his family who have received partial distributions) owns 99.54 per cent of the shares of stock of the Manufacturers' and 99.6 per cent of the shares of the O'Fallon.

At the time of his death Adolphus Busch was the principal owner of the Manufacturers' Railway. He had caused its organization, incorporation and construction in 1887-1888 to provide a rail connection between plants of his manufacturing business and rails of the Iron Mountain (now Missouri Pacific). For the first twenty years of its life, the Manufacturers' line was leased to and operated by, the Iron Mountain. When the end of this lease period approached, the development of the shipping industries of South St. Louis had far outgrown the available railroad facilities and Adolphus Busch refused to permit further leasing of the Manufacturers' line, but caused the Manufacturers' Company to take over the operation of its own line by an operating and executive organization then formed by him for the purpose. He also then publicly announced that he would enlarge the facilities of the Manufacturers' into an independent terminal railroad system to serve all of the shipping public in South St. Louis, to transport freight across the river and to operate on the east side, thus affording interchange with various trunk lines that entered East St. Louis.

In carrying out this plan numerous parcels of land in South St. Louis were acquired, on which extensive public team tracks were constructed and operated; industrial spur tracks were built into the properties of all accessible industries that wished them; a viaduct was constructed over the main right of way of the Iron Mountain (now Missouri Pacific) permitting trains of the Manufacturers' to move over this viaduct and thereby to establish direct track connections near the river front with the St.

Louis Transfer Railway (a subsidiary of the Wiggins Ferry Company and a part of the Terminal), and also permitting additional interchange connections with the Iron Mountain; additional lands were leased (some from the City of St. Louis) upon which large terminal and distribution yards were constructed and used, and the main tracks of the Manufacturers' were extended both north and south of the territory occupied by the manufacturing plants controlled by Adolphus Busch, to reach all other accessible industrial plants in South St. Louis; several franchise grants were obtained from the City of St. Louis to operate over streets and alleys, one of which franchises (granted in 1905) imposed on the Manufacturers' the obligation to construct inclines on the west and east banks of the river, to provide and operate a car ferry to transport freight across the river between St. Louis and East St. Louis and to acquire and operate a railroad line at least seven miles long on the east side.

The sole purpose of all this additional acquisition of tracks, property and franchises was to create an independent common-carrier terminal railroad system, by the use of which traffic of the industries and shippers of South St. Louis would reach various of the trunk lines entering East St. Louis, through the medium of a cross-river facility and an east-side line constituting a part of said system, and would also, on the west side, reach the Missouri Pacific (west and southwest) directly, and all the other west-side lines indirectly through the west-side facilities of the Terminal.

Property was acquired for the construction of the inclines and negotiations were in progress for the ac-

quisition of a car ferry, when the carrying out of this river-crossing part of the plan was delayed and substituted by the City of St. Louis proceeding to build a so-called "Municipal Bridge" between St. Louis and East St. Louis, the railroad deck of which was to be open to the use of all carriers and the southern approach to which (in South St. Louis) would permit direct connection of the rails of the Manufacturers' and of the Missouri Pacific with said approach. This Municipal Bridge, authorized by vote of the people in 1906, was constructed between 1909 and 1917, and its highway deck was opened to public use in 1917. The construction of the southern approach was postponed for various reasons; but in 1923 the people of St. Louis voted a bond issue partly for the purpose of constructing this approach, and the city is now proceeding actively to begin and complete such construction.

In 1913 Adolph Busch purchased the stock of the O'Fallon properties, consisting of the O'Fallon Railway, and the O'Fallon Coal Company from whose mines came most of the traffic originating on the O'Fallon, although the latter then carried and still carries a substantial quantity of coal received near its eastern terminus from another carrier, on whose lines such traffic originates at mines not owned by the Busch estate.

Adolphus Busch purchased the O'Fallon Railway for the purpose of owning and operating it as a part of the said terminal and switching railroad system operating on both sides of the Mississippi River that he was then engaged in creating as a part of the publicly announced plan above mentioned.

His then purpose to ultimately connect the tracks of the Manufacturers' and O'Fallon without needing the intermediate use of the facilities of the Terminal has never been abandoned, but the construction of the Municipal Bridge caused this original plan to be modified by substituting said bridge in place of a car ferry.

After the construction of the Municipal Bridge the estate of Adolphus Busch caused the O'Fallon to purchase about thirty acres of land in Illinois close to the east approach to the Municipal Bridge in order to have said land available for distribution yards and other railroad purposes of said railroad system as soon as the construction of the southern approach in South St. Louis would render the Municipal Bridge available for the use of the Manufacturers' and of the O'Fallon.

Until such direct connection through the use of the Municipal Bridge can be made, the Manufacturers' and O'Fallon are connected by the facilities of the Terminal in the same way that the east-side lines of the trunk line systems are connected with their west-side lines, and petitioners have the same rights to use the Terminal's facilities that are possessed by all of the lines that enter St. Louis or East St. Louis.

The O'Fallon has seven directors, the Manufacturers' five; three directors are common to both companies. The same owners control the general policies and provide the financial backing of both companies. All of the executive officers and all of the general office employes are the same, serving both companies without distinction between them. The same general office spaces are used by the executive, management,

chief operating, engineering, accounting and office clerical departments of both companies, without distinguishing between the companies. The same individuals, as officers or employes of both companies, direct and control the physical operation of both companies. Both companies have the same executive, operating, engineering, accounting, auditing and traffic departments and staffs. There is an engine and car repair shop located on the Manufacturers' in St. Louis and a car repair shop on the O'Fallon in Illinois. Repair work on equipment of each carrier is done to some extent at the shop of the other carrier and each shop does similar work for other carriers. Work done at the shops by either carrier for the other is charged for the same as work done for any other carrier.

The treatment by Adolphus Bush (or his estate) of the Manufacturers' and of the O'Fallon, as parts of a single railroad transportation system, was a fact established and accomplished long before the enactment of the Transportation Act in 1920. They have financed the acquisition and development of both properties out of the general funds of the estate, and have, through their stock ownership, directed and controlled the development, management and operation of the properties with the sole purpose of treating them as a single system of railroads, operating both in St. Louis and East St. Louis in competition with the Terminal.

(d) During each of the recapture periods, the petitioners were a group of railroads under common control and management, operated as a single system of railroads, and their combined net railway operating

income during each of said periods was less than six per cent of, and less than a fair return upon, the actual value of their said combined property during such respective periods.

(14) (a) It appears upon the face of the report that the value of the property of the O'Fallon, as found by the Commission for each of the recapture periods, was based upon a so-called basic single sum value as of June 30, 1919, of $850,500, to which for each of the recapture periods there was added, in the manner described in the report, the cost of additions and betterments, less retirements, since June 30, 1919.

(b) It also appears from said report that the said so-called basic single-sum value of $850,500 as of June 30, 1919, included $50,500 for lands, and $50,000 for working capital, and that the Commission valued the property of the O'Fallon (exclusive of lands and working capital) as of June 30, 1919, at $750,000.

(c) It also appears upon the face of the report that the said sum of $750,000 included $38,843.12 found to be the amount by which the actual cost of net additions and betterments, less retirements, made between June 30, 1914, and June 30, 1919, exceeded the estimated cost of reproduction thereof at 1914 prices, as hereinafter defined, and that the remainder of the said $750,000 of value found for the property of the O'Fallon (exclusive of lands and working capital) as of June 30, 1919, was based primarily on and is only slightly in excess of the cost of reproduction of said property, less depreciation as found by the Commission, at prices of labor and materials current on June 30, 1914, and for a number of years prior thereto, herein called "1914 prices."

(d) It also appears upon the face of the report that the major part of the physical property of the O'Fallon (exclusive of lands and working capital) held for and used by it in the service of transportation during each of the recapture periods, was in existence on and prior to June 30, 1914, and that the value found by the Commission for such major portion of the property of the O'Fallon was based on, and is only slightly in excess of, cost of reproduction, less depreciation, of said property at 1914 prices, as found by the Commission.

(e) By the pursuit of said method, and as otherwise appears from the face of said report, the value of the railway property of the O'Fallon was determined by the Commission for each of the recapture periods, without giving substantial and effective weight to the cost of reproduction of said property during said periods, and without giving substantial and effective weight to the great increase in the cost of labor, materials and equipment over and above 1914 prices that had occurred since 1914 and still prevails, except to the extent that such increase is reflected in the cost of additions and betterments added to the property since June 30, 1914, and without giving substantial and effective weight to the diminished purchasing power of the dollar throughout the recapture periods and since as compared with June 30, 1914, and prior thereto.

(f) On the contrary, and as appears from the face of said report, in determining the value of the railway property of the O'Fallon during the recapture periods, the Commission held and found that no weight whatsoever should be given to said increase in prices or to said diminished purchasing power of the

dollar, except as reflected in the actual cost of additions and betterments since June 30, 1914.

(g) It also appears upon the face of said report that the refusal of the Commission to give any weight whatsoever to said increased prices and to said diminished purchasing power of the dollar was not based upon any fact or facts found by the Commission to be peculiar to the O'Fallon, but was based solely upon the conclusion of the Commission, contained in said report, that no consideration whatsoever should be given thereto in determining the value of railway property within the United States for purposes either of rate making or recapture.

(h) As appears upon the face of the report, the method pursued by the Commission in determining the value of the O'Fallon during the periods aforesaid was adopted as being (in the opinion of the Commission) an approximation of the original cost of, or investment in, the railway property of the O'Fallon (exclusive of lands and working capital), in the absence of accurate information as to the actual original cost thereof or investment therein.

(i) The 1914 prices used by the Commission in arriving at its findings of value are and have been since 1917 obsolete and extinct, and were not only greatly below the price level existing during the recapture periods, but also greatly below both the existing price level and any price level that has obtained since 1917.

(15) It also appears upon the face of the report:

(a) That the value placed by the Commission upon the property of the O'Fallon (exclusive of lands and working capital) for each of the recapture periods was substantially less than either the cost of reproduction, or the cost of reproduction less deprecia-

tion, of the property of the O'Fallon (exclusive of lands and working capital) during said periods.

(b) That the total value found for the property of the O'Fallon for each of said periods, including lands, working capital and all other elements of value, if any, was substantially less than either the cost of reproduction, or the cost of reproduction less depreciation, of the property of the O'Fallon (exclusive of lands and working capital) during said recapture periods and each of them, without the inclusion of any allowance whatsoever for lands, working capital or any other elements of value.

(c) And, that if in determining the value of the O'Fallon during said periods the Commission had given substantial and effective weight to (1) cost of reproduction during said periods, of the property then in use, irrespective of dates of installation, and (2) to the said increased cost of labor, materials and equipment, and (3) to the said diminished purchasing power of the dollar, or to any of such factors, the values so determined would have been substantially in excess of the values found by the Commission in said report, and the excess net railway operating income, if any, would have been proportionately less in each of said periods than as found by the Commission.

(16) In so failing to give substantial and effective weight to said increased costs and the diminished purchasing power of the dollar since June 30, 1914, in determining the value of the said property of the O'Fallon during the recapture periods, the Commission acted contrary to law, and in pursuing the method above described for the determination of said value, did not find, or attempt to find, the present

actual value of the said property of the O'Fallon as of the recapture periods, in accordance with the law of the land, as required by the Interstate Commerce Act and by the Constitution of the United States, but based its so-called findings of value on a purely arbitrary formula, and based the same on erroneous principles of law, by reason whereof the order of the Commission is void on its face.

(17) (a) It appeared from the evidence introduced by the petitioners and also from that introduced by the Commission's Bureau of Valuation at the hearing before the Commission, that the cost of reproducing the said property of the O'Fallon (exclusive of lands and working capital) during the recapture periods, greatly exceeded the value of said property as found by the Commission and greatly exceeded the total value of the property, including lands and working capital, as found by the Commission, and there was no evidence to the contrary.

(b) At said hearings, evidence was also introduced by the Commission's Bureau of Valuation tending to show the cost of reproduction, less depreciation, of the said property of the O'Fallon (exclusive of lands and working capital) during the recapture periods, from which evidence it conclusively appears that the cost of reproduction, less depreciation, if any, of said property of the O'Fallon (exclusive of lands and working capital) during the recapture periods, greatly exceeded the value of said property as found by the Commission, and substantially exceeded the total value of the property, including lands and working capital, as found by the Commission in its said report, and there was no evidence to the contrary.

(c) It conclusively appears from all of said evidence that, if in determining the value of the property of the O'Fallon, held for and used by it in the service of transportation during the recapture periods, the Commission had given substantial and effective weight (1) to the cost of reproduction of said property during said periods (beyond that reflected in the actual cost of additions and betterments installed since June 30, 1914), and (2) to the said increased cost of labor, materials and equipment, and (3) to the said diminished purchasing power of the dollar, or to any of such factors, the values so determined would have been largely in excess of those found by the Commission.

(18) The Commission's finding in said report, that the record made in the proceedings before it shows that there was a dearth of reliable data from which an estimate of the cost of reproduction during the recapture periods could be made, is unsupported by any evidence, and is contrary to the fact.

(19) In determining the value of the said property of the O'Fallon during the recapture periods the Commission:

(a) Erroneously failed to include anything for cash working capital, although it appears from the report and from the undisputed evidence, that during each of said periods the O'Fallon had on hand a large amount of cash devoted to common carrier purposes.

(b) Erroneously determined and deducted, contrary to law, an excessive amount for depreciation which was not the actual depreciation, if any, but was a speculative conclusion based upon assumed

probabilities determined by theoretical life tables inconsistent with the facts.

(20) In determining the value of the railway property of the Manufacturers' the Commission, contrary to law, pursued the same method above described as that employed in determining the value of the O'Fallon.

(21) The Commission's so-called findings of value are unsupported by, and contrary to, the evidence.

(22) If, in determining the value of the property of the petitioners, and each of them, substantial and effective weight is given to the cost of reproducing such property at prices current in the recapture periods to any extent whatsoever beyond that included in the actual cost of additions and betterments made since June 30, 1914, and to the said increased cost of labor, materials and equipment and to the said diminished purchasing power of the dollar or to any of said factors, the values of your petitioners' said properties for each of said respective periods so determined, will be substantially in excess of those found by the Commission in its said report, and the excess net railway operating income of each of the petitioners, if any, will be proportionately less than as found by the Commission.

(23) During each of the periods aforesaid, the actual value of the said property of the O'Fallon greatly exceeded the value found for said respective periods by the Commission, and, on the basis thereof, the excess net railway operating income, if any, of the O'Fallon, was proportionately and substantially less than as found by the Commission.

(24) (a) Under said Section 15a of the Interstate Commerce Act, no payments or accumulations of any

excess net railway operating income are required on the part of any carrier subject to said act, unless and until the Commission shall have so adjusted the rates, fares and charges of carriers subject to said act that the carriers as a whole (or as a whole in each of the rate groups or territories designated by the Commission) will, under honest, efficient and economical management and reasonable expenditures for maintenance of way, structure and equipment earn an aggregate annual net railway operating income equal to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation. Said section further provides that the Commission shall from time to time fix the fair rate of return, and that during the two years beginning March 1, 1920, the Commission should take as such fair return a sum equal to 5½ per cent of such aggregate value, but might, in its discretion, add thereto a sum not exceeding one-half of one per cent of such aggregate value. In the exercise of the discretion so conferred upon it, the Commission did, in *Increased Rates 1920*, 58 I. C. C. 220, add said sum of one-half of one per cent of such aggregate value so that under the terms of said section a fair rate of return on such property for the two years beginning March 1, 1920, was by it, under said section, fixed and determined at the rate of six per cent per annum on such aggregate value. The Commission, in the further exercise of the discretion conferred upon it by said section, in *Reduced Rates 1922*, 68 I. C. C. 676, 734, fixed the aforesaid fair rate of return for the period beginning March 1, 1922, and running beyond December 31, 1923, at 5¾ per cent per annum.

(b) During neither of the recapture periods have the rates, fares and charges of the carriers as a whole, situated in the rate groups designated by the Commission, in which the petitioners' said properties are respectively located, been so adjusted by the Commission as to enable the carriers as a whole in such respective rate groups, to earn the fair return so determined, but, on the contrary, the aggregate annual net railway operating income of the carriers as a whole situated in the respective rate groups in which your petitioners' said properties are situated, has during each and all of the recapture periods, been substantially less than the fair return so determined.

(c) If the rates, fares and charges of the carriers, as a whole, in such respective groups had been adjusted as required by said section 15a, as above alleged, the net railway operating income of these petitioners and each of them would have been substantially greater than in fact it was.

(25) The provisions of paragraph (6) of said section 15a are not applicable to any income of any carrier subject to said act unless such income shall have arisen and accrued under the provisions of said section 15a. No such income whatsoever arose or accrued to the O'Fallon, or to any other carrier, subject to said act, prior to the 26th day of August A. D. 1920, on which date there first became effective the rates, fares and charges authorized by the Commission under said section 15a.

Said order, because it requires the payment to the Commission, and the accumulation in a reserve fund, of a part of the net railway operating income of the O'Fallon [illegible]ing and accruing to it prior to August

26, 1920, is beyond the power of the Commission and void.

(26) Said order, because it directs the payment to the Commission of one-half, and the accumulation in a reserve fund of a substantial part of the remainder of the excess net railway operating income of the O'Fallon, as found by the Commission for the last ten months of 1920, is beyond the power of the Commission and void in that said section 15a requires that the net railway operating income of carriers subject to paragraph (6) of said section shall be computed for annual periods, and does not authorize or permit the computation of such income for any period less than a year.

(27) Under said order payments are required to be made into the reserve fund required by said section 15a, to the extent required thereby, as alleged in paragraph (5) hereof, on the same basis of valutation, at precisely the same times, and in precisely the same amounts, interest excluded, as are thereby required with respect to the sums directed by said order to be paid to the Commission. Through the limitations placed upon the use of said fund, as alleged in paragraph (5) hereof, the same is withdrawn from the free corporate surplus of the O'Fallon, and may not be utilized thereby for general corporate purposes, and is taken out from under the control and discretion of the O'Fallon and its managing officers and directors, and the moneys thus directed to be placed in such reserve fund are thereby taken from the O'Fallon contrary to law, and without due process of law, and without just compensation, in violation of the Fifth Amendment of the Constitution of the United States.

(28) Said order directs the O'Fallon to pay to the Commission not only the amounts found by the Commission to be held in trust and recoverable as excess net railway operating income, but also interest thereon at the rate of six per cent per annum from May 1st of the years 1921, 1922, 1923 and 1924, respectively. The Commission did not determine the said amounts claimed by it to be held in trust and so recoverable until, to wit, February 15, 1927, and did not inform the O'Fallon thereof until, to wit, March 31, 1927, and the said amounts were not attempted to be liquidated or determined in any way prior to March 31, 1927. The O'Fallon has not at any time been in default in respect of any of such payments. No demand for the payment thereof has been made upon the O'Fallon except by said order. There is no provision of law that requires the payment or recovery of interest on such amounts. Until, to wit, February 15, 1927, the amounts, if any, due and payable by the O'Fallon as trust funds under said section 15-a, have been indefinite, unascertained, even by the Commission, and incapable of ascertainment by the O'Fallon, no settlement or accounting for the purpose of liquidating or determining said amount having at any time theretofore been concluded between the Commission and the O'Fallon. The aggregate amount to May 1, 1927, of the interest so ordered to be paid is, to wit, $61,450.59.

(29) Said order of the Commission and every part thereof is, by reason of the premises, unlawful and void, because:

(a) The same is and was made in violation of said section 15a.

(b) The same is and was made without any warrant or authority of law whatever in support thereof.

(c) The terms of said order wholly exceed the lawful power and authority of the Commission.

(d) The Commission's findings of value upon which the said order is predicated, are based upon erroneous principles of law and are contrary to the law of the land.

(e) The Commission has erred in said order and report in applying the law to the facts.

(f) The action of the Commission, evidenced by said order, is arbitrary in that such action is not only not supported by the evidence, but, as above alleged, the Commission's findings are contrary to the undisputed evidence before it.

(g) The enforcement of said order against these petitioners, or either of them, will deprive them and each of them of their property without due process of law and will take the private property of each of them for public use without just compensation, in contravention of the Fifth Amendment to the Constitution of the United States.

(h) Neither in, nor in connection with, said section 15a is there provided any method or procedure sufficient to constitute due process of law within the meaning of the Fifth Amendment to the Constitution of the United States, for the determination of the value of said railway property of petitioners, nor for the determination of net railway operating incomes, upon the basis of which the amounts to be paid to the Commission and to be placed in such reserve fund are to be determined, and said section is therefore invalid and unconstitutional and is an

attempt by the Congress to delegate power to an administrative body or tribunal, without prescribing the rule, method, conditions or limitations in, by or upon which the powers so attempted to be delegated shall be exercised.

(30) Upon information and belief your petitioners allege that unless said order is complied with by petitioners within the time specified therein, to wit, within ninety days from February 15, 1927, or unless meanwhile petitioners are afforded the protection, by way of a writ of injunction, which a court of equity alone is competent to grant, they and their officers and agents will, under the terms of the Interstate Commerce Act and particularly under sections 10, 16 and 20 of said act, be subjected to a multiplicity of suits and criminal prosecutions for the recovery and assessment of the fines and penalties in said sections provided. Petitioners have no adequate remedy at law.

(31) Unless the relief prayed for herein, including the issuance of a preliminary restraining order and an interlocutory or temporary injunction, be granted herein to petitioners, they and each of them, for the reasons and in the manner stated in this petition, will suffer irreparable injury and damage. In this connection they further allege:

(a) No method is provided by law for the recovery by the O'Fallon of any amounts paid by it to the Commission under said order, by reason whereof the loss of money so paid would be irreparable.

(b) If the O'Fallon should establish a reserve fund as required by said order it will, so long as it maintains said fund, be deprived of the free use and disposition of its property placed therein.

(c) If the O'Fallon should fail to comply with said order within the time therein specified, to wit, on or before May 16, 1927, it and its officers, directors and employes, will be subjected to a multiplicity of prosecutions and suits for misdemeanors and penalties as provided in the Interstate Commerce Act as above alleged, all of which are substantial, and some of which are cumulative from day to day; the defense of such suits and prosecutions will subject the O'Fallon to substantial and unrecoverable expense.

(32) Your petitioners therefore pray:

(a) That a subpoena or subpoenas in chancery issue out of and under the seal of this Honorable Court, directed to the defendants, as required by law, and that due and proper service of such process and of this petition be forthwith made by filing a copy thereof in the office of the Secretary of the Commission, and another copy in the Department of Justice, as in said District Court Jurisdiction Act provided, and that thereby the defendants and each of them be required, on or before a date to be specified in such subpoena or notice, to appear herein and answer this petition, but not under oath, answer under oath being hereby expressly waived.

(b) That a temporary or interlocutory injunction be entered herein, restraining, enjoining and suspending, until the further order of this Court, the effect and enforcement of said order of the Commission.

(c) That pending a hearing upon the aforesaid application for a temporary or interlocutory injunction a preliminary restraining order be issued in terms restraining, enjoining and suspending the enforcement of said order of the Commission until said application for a temporary or interlocutory injunction shall have been heard and determined.

(d) That after final hearing this Court adjudge, order and decree that said order of the Commission is and has at all times been beyond the lawful authority of the Commission, and wholly void, and that said order be perpetually set aside, suspended and annulled, and the enforcement thereof perpetually enjoined.

(e) That your petitioners and each of them may have such other and further relief in the premises as to equity and justice may appertain and as may be deemed by this Honorable Court to be adequate and proper under the circumstances.

The St. Louis & O'Fallon Railway Company,

By .....

President.

Attest:

.....

Secretary.

Manufacturers' Railway Company,

By .....

President.

Attest:

.....

Secretary.

FREDERICK H. WOOD,
ROBERT H. KELLEY,
LESLIE CRAVEN,
DANIEL N. KIRBY,

Solicitors for Petitioners.

CRAVATH, HENDERSON & DE GERSDORFF,
ANDREWS, STREETMAN, LOGUE & MOBLEY,
NAGEL & KIRBY,

Of Counsel.

United States of America,
Eastern District of Missouri,
City and County of St. Louis.

William Cotter, being first duly sworn, deposes and says that he is an officer, to wit, the president of each of the above-named petitioners, and is authorized to sign and verify the foregoing petition on behalf of each of them; that he has read the foregoing petition and knows the contents thereof, and that the facts alleged therein are true and correct except as to those alleged on information and belief, and them he verily believes to be true.

.....

Subscribed and sworn to before me by William Cotter this....day of May, 1927.

My commission expires....., 19....

.....
Notary Public in and for the City of
St. Louis, State of Missouri.

**EXHIBIT A.**

INTERSTATE COMMERCE COMMISSION.

**Order.**

At a session of the Interstate Commerce Commission, Division 4, held at its office at Washington, D. C., on the 14th day of May, 1924.

Finance Docket No. 3908.
Excess Income of St. Louis & O'Fallon Railway Company.

Finance Docket No. 4026.

Excess Income of Manufacturers Railway Company.

The Commission having under consideration the matter of the determination of excess net railway operating income of the St. Louis & O'Fallon Railway Company and of the Manufacturers Railway Company, under the provisions of sections 15 (a) of the Interstate Commerce Act; and

**It appearing**, That said companies have filed with this Commission reports for the period, March 1 to December 31, 1920, inclusive; for the year ended December 31, 1921; for the year ended December 31, 1922; and for the year ended December 31, 1923; said reports being filed in response to orders of this Commission issued, respectively, on January 16, 1922, March 16, 1922, March 21, 1923, and March 17, 1924, In the matter of the recovery and payment of excess railway operating income under the provisions of section 15 (a) of the Interstate Commerce Act; and

**It further appearing**, That in said reports the said companies set forth, among other things, statements

as to value of property held for and used by them in the service of transportation, and statements as to their net railway operating income, for each of said periods; and

**It further appearing**, That question has arisen as to whether the value of the railway property and the net railway operating income should be computed for each of said companies, separately, or should be computed for said companies as a whole, under the provisions of paragraph (6) of said section;

**It Is Ordered**, That said matters be, and they are hereby assigned for hearing before C. V. Burnside, assistant director, Bureau of Finance, at the office of the Commission at Washington, D. C., on the 8th day of September, 1924, at 10 o'clock a. m., for the purpose of receiving evidence upon said matters.

**It Is Further Ordered**, That a copy of this order be served upon said St. Louis & O'Fallon Railway Company and said Manufacturers Railway Company, and that notice of said hearing be given to the general public by posting a copy of this order with the secretary of the Commission at Washington, D. C.

By the Commission, Division 4.

George B. McGinty,
Secretary.

(Seal)

# "EXHIBIT B"

## Report *and* Order *of the* Commission

F-2704

# INTERSTATE COMMERCE COMMISSION

FINANCE DOCKET NO. 3908

## EXCESS INCOME OF ST. LOUIS & O'FALLON RAILWAY COMPANY

FINANCE DOCKET NO. 4026

## EXCESS INCOME OF MANUFACTURERS' RAILWAY COMPANY

*Submitted December 17, 1926. Decided February 15, 1927*

1. Proceedings for the recovery of excess net railway operating income under the provisions of section 15a of the interstate commerce act are proceedings pursuant to the direction of Congress to create a general railroad contingent fund to be used in furtherance of the public interest in railway transportation.
2. If a carrier earns in any year, or portion of year as provided by the act, net railway operating income in excess of 6 per cent of the value of the property held for and used in the service of transportation, one-half of such excess shall be recoverable by and paid to the commission for the purpose of establishing such contingent fund.
3. For purposes of recapture, paragraph (6) of section 15a provides that the value of the railway property, and the net railway operating income of a group of carriers, which the commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole irrespective of the separate ownership and accounting returns of the various parts of such system.
4. A system is something which is complete in itself, each part complementing the other parts to make up the whole. That the same persons for convenience of handling accounts and economy of operation manage and operate two properties which are owned by one interest is not sufficient to create a system. There must be unity of purpose in the control, management, and operation to constitute the two roads "a group of carriers * * * operated as a single system."
5. The St. Louis & O'Fallon Railway Company and the Manufacturers' Railway Company found not to have been, during the period March 1, 1920, to December 31, 1923, a group of carriers under common control and management and operated as a single system.
6. The purpose of the act may not be defeated by the distribution of excess net railway operating income under the guise of operating expenses. The excess income which is subject to recapture is a trust fund in the hands of the carrier which never becomes its property, and charges to operating expenses which are plainly in excess of reasonable operating requirements can not be permitted to deplete that fund.

7. Considerable latitude must be given the officers of a carrier in determining what are reasonably necessary charges to operating expenses. Certain charges to operating expenses made by the St. Louis & O'Fallon Railway Company during the year 1923 found not within any latitude that may properly be allowed, and such charges are excluded in determining the net railway operating income for that year.
8. The ascertainment of value under section 19a is not a condition precedent to the recovery of excess net railway operating income. Valuations under section 15a may be made in a more summary manner than valuations under section 19a.
9. The value to be determined for the purposes of recapture under section 15a is, like that to be determined under section 19a, the "value for rate-making purposes."
10. Use of estimates of cost of reproduction at current prices as the sole or controlling criterion in the determination of value for rate-making purposes found to be improper and unsound.
11. The basic value of the property of the St. Louis & O'Fallon Railway Company, as of June 30, 1919, determined through the exercise of judgment upon the facts required to be ascertained and reported in section 19a, as far as available in this proceeding, including prices paid for additions to the property between June 30, 1914, and June 30, 1919.
12. The basic value of the property of the St. Louis & O'Fallon Railway Company brought down from June 30, 1919, to the respective recapture dates by adding the recorded cost of net additions and betterments.
13. The St. Louis & O'Fallon Railway Company found to have received excess net railway operating income subject to recapture for the period March 1 to December 31, 1920, inclusive, and for the years 1921, 1922, and 1923.
14. The Manufacturers' Railway Company found not to have received any excess net railway operating income for the same periods.

*Clark & LaRoe*, *Edgar E. Clark*, and *F. E. Brown* for carriers.

*Donald R. Richberg* and *Herman L. Ekern* for National Conference on Valuation of American Railroads.

*John E. Benton* for National Association of Railroad and Utilities Commissioners.

*F. G. Dority* and *Fletcher Rockwood* for Great Northern Railway Company as amicus curiæ.

*W. G. Brantley*, *Leslie Craven*, *Fred H. Wood*, and *Robert H. Kelley* as amici curiæ.

REPORT OF THE COMMISSION

MEYER, *Commissioner:*

Exceptions were filed to the report proposed by the examiner. The carriers and others were heard in oral argument, and briefs subsequently were filed.

Pursuant to the requirements of paragraphs (6) and (9) of section 15a of the interstate commerce act, we issued, under date of January 16, 1922, an order requiring carriers by railroad to report, among other things, for the period from September 1 to December

31, 1920, in the case of carriers which had accepted the guaranty of section 209 of the transportation act, 1920, and for the period from March 1 to December 31, 1920, in the case of carriers which had not accepted such guaranty, the value of the property used in transportation service by such carriers and their net railway operating income for such period. The full text of the order is given in Appendix (A). The carriers were instructed to include in their reports statements in detail showing the manner in which the values were determined. Orders similar in their general requirements, but with some variation as to detail, were later issued for the succeeding calendar years. In response to these orders, the St. Louis & O'Fallon Railway Company, hereinafter referred to as the O'Fallon, and the Manufacturers' Railway Company, hereinafter called the Manufacturers', filed with us returns or reports for the period March to December, 1920, both inclusive, and for the years 1921, 1922, and 1923. Neither of these carriers accepted the guaranty of section 209. These reports show value and income for the two carriers separately and also for their properties combined, it being the claim of the carriers that they should be considered as under common control and management and operated as a single system within the meaning of paragraph (6) of section 15a. A hearing was held on October 1 and 2, 1924, for the purpose of affording the carriers opportunity to submit evidence in support of their reports and for the receipt of any other evidence that might aid us in making the findings required by the statute. The claim of the carriers of the right to combine their returns was specifically set for consideration at the hearing. Briefs were filed following this hearing. Subsequent to the argument on exception to the proposed report the proceedings were reopened for the purpose of further considering the carriers' operating expenses during the aforementioned periods for which reports were made. A supplemental hearing was had, briefs were filed, and counsel were heard in oral argument on questions developed in the record as supplemented.

We have before us in this proceeding four propositions: First, the propriety of these proceedings as they have been conducted under the provisions of section 15a of the act. Second, whether or not these carriers during the recapture periods constituted a group of carriers under common control and management and operated as a single system within the meaning of the statute. Third, the propriety of certain dispositions of income through charges to operating expenses during the respective recapture periods. And fourth, the property values and the amounts of income of the carriers subject to recapture.

As these proceedings are governed by the provisions of paragraphs (4) to (6), inclusive, of section 15a of the interstate commerce act, those paragraphs are here set forth in full:

(4) For the purposes of this section, such aggregate value of the property of the carriers shall be determined by the Commission from time to time and as often as may be necessary. The Commission may utilize the results of its investigation under section 19a of this Act, in so far as deemed by it available, and shall give due consideration to all the elements of value recognized by the law of the land for rate-making purposes, and shall give to the property investment account of the carriers only that consideration which under such law it is entitled to in establishing values for rate-making purposes. Whenever pursuant to section 19a of this Act the value of the railway property of any carrier held for and used in the service of transportation has been finally ascertained, the value so ascertained shall be deemed by the Commission to be the value thereof for the purpose of determining such aggregate value.

(5) Inasmuch as it is impossible (without regulation and control in the interest of the commerce of the United States considered as a whole) to establish uniform rates upon competitive traffic which will adequately sustain all the carriers which are engaged in such traffic and which are indispensable to the communities to which they render the service of transportation, without enabling some of such carriers to receive a net railway operating income substantially and unreasonably in excess of a fair return upon the value of their railway property held for and used in the service of transportation, it is hereby declared that any carrier which receives such an income so in excess of a fair return, shall hold such part of the excess, as hereinafter prescribed, as trustee for, and shall pay it to, the United States.

(6) If, under the provisions of this section, any carrier receives for any year a net railway operating income in excess of 6 per centum of the value of the railway property held for and used by it in the service of transportation, one-half of such excess shall be placed in a reserve fund established and maintained by such carrier, and the remaining one-half thereof shall, within the first four months following the close of the period for which such computation is made, be recoverable by and paid to the Commission for the purpose of establishing and maintaining a general railroad contingent fund as hereinafter described. For the purposes of this paragraph the value of the railway property and the net railway operating income of a group of carriers, which the Commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole irrespective of the separate ownership and accounting returns of the various parts of such system. In the case of any carrier which has accepted the provisions of section 209 of this amendatory Act the provisions of this paragraph shall not be applicable to the income for any period prior to September 1, 1920. The value of such railway property shall be determined by the Commission in the manner provided in paragraph (4).

PROCEDURE IN RECAPTURE CASES

At the opening of the hearing counsel for the carriers made objection to the entire proceeding on the following grounds: That we are confronted with the necessity of establishing as a foundation for and prerequisite to recapture, first, the value of the railroad property held for and used in the service of transportation, and, second, the amount of net railway operating income in excess of 6 per cent of the value of such property; that in the determination of the value

of the property we must give consideration to all of the elements of value recognized by the law of the land for rate-making purposes, including the requirements of the valuation act (section 19a of the interstate commerce act) in the observance of which the carriers are entitled to full opportunity for protest and hearing; that the liability for excess in operating income can be determined only after the value of the property has been fixed and the question of income based upon that value determined; and that a hearing for purposes of recapture in advance of such definite determination of value is premature and without legal authority.

At the outset it is to be borne in mind that in no sense can these proceedings properly be treated as lawsuits. No issue is raised between parties. There is no controversy between disputants, each contending for protection of its rights. They are purely administrative proceedings wherein we are following the direction of Congress to create a contingent fund to be used in furtherance of the public interest in railway transportation. By the issuance of our orders as hereinbefore described, we have given the carriers an opportunity to assist in these proceedings by furnishing statements of the value of the properties used by them in transportation service and of their net railway operating incomes for stated periods.

Considering the carriers' assertion that for us to proceed without first establishing the value of their properties under section 19a is premature, we may observe that in determining upon a course of procedure it is necessary to keep in mind the intent of Congress in enacting this legislation. Paragraphs (4), (5), and (6) of section 15a must be considered in connection with the entire section and in relation to the whole legislative enactment of which it forms a part. The transportation act, 1920, inaugurated a new era in the regulation of the transportation systems of the country, considered as a whole. *Wisconsin R. R. Comm.* v. *C., B. & Q. R. R. Co.*, 257 U. S. 563, *Dayton-Goose Creek Ry.* v. *U. S.*, 263 U. S. 456. The general provisions of section 15a are: (1) That we shall adjust rates so that the carriers, as a whole or in groups, shall be able to earn a fair return upon the aggregate value of their transportation property; (2) that we shall from time to time determine what percentage of such aggregate value constitutes a fair return thereon; (3) that where individual carriers earn, under rates so adjusted, net railway operating income in excess of 6 per cent on the value of their property, one-half of the excess shall be recoverable by and paid to us for the purpose of establishing a general railroad contingent fund. In *Dayton-Goose Creek Ry.* v. *U. S.*, *supra*, the court referred to the recapture clause as the "key provision of the whole plan." There is nothing in the act to suggest that the benefits intended to accrue to the carriers

and the public must be deferred to an indefinite future. The needs which prompted the legislation had existed for a long time and had been brought repeatedly to the attention of Congress. And when it was determined that the value of the properties of the carriers should be the basis upon which a percentage of the return should be computed for purposes of recapture, Congress well knew that the valuation of the railroads under section 19a of the act was not completed and could not be completed for several years.

When this proceeding was instituted we had not made a valuation of the properties of the O'Fallon or the Manufacturers' for any of the recapture periods or for any other period. It was desirable, therefore, in our opinion, to proceed in the manner outlined in order that the carriers might be afforded every opportunity to be heard on the questions of value of their properties and the net railway operating income for the respective recapture periods. We might have proceeded with propriety in an independent investigation, utilizing, so far as available, the results of our investigation under section 19a. The language of section 15a indicates the desire of Congress that the measures inaugurated be put in force as promptly as possible, and while we are required by paragraph (4) to "give consideration to all the elements of value recognized by the law of the land for rate-making purposes," it is also provided that "for the purposes of this section, such aggregate value of the property of the carriers shall be determined by the Commission from time to time and as often as may be necessary." There is an entire lack of direction as to specific methods of procedure, and Congress apparently entertained the view that valuations under section 15a might be made in a more summary manner than valuations under section 19a.

What we have said here regarding procedure in recapture cases is directed to the conditions presented in this case, but is equally applicable to all cases of a similar character. Having in mind the requirements of the statute, it seems imperative that findings of value and of income in these recapture cases be made promptly and at frequent intervals. With proper cooperation from the carriers, the procedure we have followed in this case will result in the disposition of these recapture cases without undue delay and at the same time will give the carriers every reasonable opportunity to protect their interests.

SYSTEM OPERATION

The Manufacturers' owns and operates about 30 miles of track in St. Louis, of which 5 miles are classified as main track and 25 miles as sidings or industrial tracks. Its construction was commenced in 1887 by the interests which controlled the Anheuser-Busch Brew-

ing Association. The Manufacturers' is purely a switching road, moving cars between various industries and the trunk lines, or the line of the Terminal Railroad Association of St. Louis, hereinafter called the Terminal. It issues no waybills, but issues receipts to shippers and transmits bills of lading to the trunk lines by which regular waybills are made out.

The O'Fallon operates about nine miles of main line and 12 miles of yard track and sidings in Illinois, the former extending from coal mines owned by the Adolphus Busch estate westward to a connection with the tracks of the Terminal in East St. Louis. Its traffic is almost exclusively coal in carloads, which is distributed widely through the Northwest, moving from origin on regular billing. Through the medium of the Terminal its shipments are delivered at various points in St. Louis, some of which are on the tracks of the Manufacturers'. Control of the O'Fallon was acquired by the Busch interests in 1913. The industries of the controlling interests have never used more than 8 per cent of the coal shipments from the O'Fallon. The distance between the railroad of the O'Fallon and the railroad of the Manufacturers' is about 12 miles, and communication by rail between the two properties is effected over the tracks of the Terminal, including a bridge over the Mississippi River. Upon the completion of a new bridge, referred to as the municipal bridge, it is proposed to construct tracks which will effect direct physical connection between the Manufacturers' and the O'Fallon; and, in preparation for this development, the O'Fallon has acquired and holds about 30 acres of land near the eastern approach of the new bridge. These carriers operate engines and other equipment from one line to the other over intervening tracks hereinbefore described; but there is no written contract or other arrangement for such use, and a special arrangement is necessary for each movement. Due to the difference in traffic handled by the Manufacturers' and the O'Fallon, there is no occasion for regular through operation of trains over the lines of these carriers.

The Adolphus Busch estate owns a large majority of the stock of each carrier. The Manufacturers' has five directors and the O'Fallon seven. Three of these directors are common to both companies. All of the officers of these companies and all of the general office employees are common to both. The general offices are located in St. Louis. There is an engine repair shop located on the Manufacturers' in St. Louis and the O'Fallon has a car repair shop on its line. Repair work on equipment for both carriers is done at these shops as well as similar work for other carriers. Work done for either carrier in the shop of the other is charged for the same as for work done for any other carrier.

The rates to and from points on the Manufacturers' are the St. Louis rates, to which the Manufacturers' is a party, and out of which it gets revenue in the form of a switching or terminal charge which is absorbed by the line-haul carrier. The O'Fallon is also a party to many joint rates with trunk lines. The companies render separate operating reports to us.

The above statement of facts is applicable, without material modification, to the entire period of three years and ten months covered by this investigation.

The portion of paragraph (6) of section 15a which the carriers contend is applicable under these facts reads as follows:

> For the purposes of this paragraph the value of the railway property and the net railway operating income of a group of carriers, which the Commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole irrespective of the separate ownership and accounting returns of the various parts of such system.

In the absence of any contrary indication, it must be assumed that Congress had in mind the usual meaning of the word "system" as applied to railroads. That meaning implies an operating relationship and operating unity and not mere ownership of tracks or methods of accounting. If Congress had intended that for purposes of recapture all railroads of common ownership should be grouped, there would have been no difficulty in expressing that purpose. The term "system" as applied to railroads implies relationships like those indicated by the following:

> System—An aggregation or assemblage of objects united by some form of regular interaction or interdependence; a natural combination, or organization of part to part, conceived as formed by a process of growth or as due to the nature of the objects connected; as, a *system* of railways (Webster's New International Dictionary).
>
> The connection or manner of connection of parts as related to a whole, or the parts collectively so related; a whole as made up of constitutive parts; as, a railroad *system* (Funk & Wagnall's New Standard Dictionary).

The carrier would have us interpret the words "common carrier," which as used in the act include "all persons, natural or artificial, engaged in such transportation," to mean that when properties are controlled by identical persons they should be regarded as one "common carrier," although technically owned by two distinct corporate entities. Counsel for the carriers insist that the purpose of the law of the land is to give to the "owners" of railway property a fair return and that these properties are controlled, managed, and operated by the same owners.

It is apparent from the quoted portion of paragraph (6) of section 15a that a system of railroads to come within the provisions of the act must be "a group of carriers which the commission finds are

under common control and management and are operated as a single system." The three conditions must be existent at once: (1) Common control; (2) common management; and (3) operation as a system. That the same persons for convenience of handling accounts and economy of operation manage and operate two properties which are owned by one interest is not sufficient. There must be unity of purpose in the control, management, and operation to constitute the two roads "a group of carriers * * * operated as a single system."

It is clear that there is no unity of purpose in the control, management, or operation of these carriers. It is stated that the purpose in developing the Manufacturers' was the establishment of an independent competitive terminal railway in the city of St. Louis. The purpose for which the O'Fallon was acquired by its present owners is not clear on the record, but it forms the only outlet for the product of coal mines owned by the same interests at or near O'Fallon, and of mines owned by other interests. Only a very small percentage of the traffic originating on the O'Fallon moves to points on the Manufacturers' and practically no traffic moves from the Manufacturers' to the O'Fallon. There is no common financial responsibility or intermingling of financial obligations and benefits as between the two carriers. They stand apart in physical location, in the character of traffic handled, in the conduct of their financial transactions, and in the purposes for which they were separately created and are operated. Neither is necessary to the other and either road could be disposed of by the common owner without in any way affecting the other.

In *Eichenberg* v. *Sou. Pac. Co. et al.*, 14 I. C. C. 250, we found that the Southern Pacific Terminal Company was a part of the Southern Pacific "system" because "it forms a link in this chain of interstate transportation. It is necessary to complete the avenue through which move shipments over these lines owned by a single corporation." The language quoted was repeated by the Supreme Court of the United States in its opinion in *So. Pac. Terminal Co.* v. *Int. Com. Com.*, 219 U. S. 498, 522. The court further said, page 525:

> The record does not present a case of stock ownership merely or of a holding company which was content to hold. It presents a case, as we have already said, of one actively managing and uniting the railroads and the Terminal Company into an organized system. And it is with the system that the law must deal, not with its elements. Such elements may, indeed, be regarded from some standpoints as legal entities; may have, in a sense, separate corporate operation; but they are directed by the same paramount and combining power and made single by it. In all transactions it is treated as single. * * * it is the system which is dealt with and not its separate links.

There is no such treatment of the Manufacturers' and the O'Fallon as a system. See also *United States* v. *Union Stock Yard & Transit Co.*, 226 U. S. 286. A system is something which is complete in itself, each part complementing the other parts to make up the whole. The two roads which we are asked here to consider as a system are separated by twelve miles of tracks of other railroads over which these carriers have no control. Considering the difference in the traffic handled and the lack of need of either road as a complement to the other, they could as well be a thousand miles apart. Common ownership or control is not the sole test. It is clear from the language used that Congress intended that we should consider as systems only those groups of carriers which are operated under common control and management as interrelated and interdependent parts of a single whole. It is equally clear from the evidence of record that the O'Fallon and the Manufacturers' are not such a group of carriers.

We find that the Manufacturers' and the O'Fallon, during the period March 1, 1920, to December 31, 1923, were not a group of carriers under common control and management and operated as a single system within the meaning of paragraph (6) of section 15a of the interstate commerce act.

OPERATING EXPENSES

At the hearing following the reopening of these cases for the purpose of investigating operating expenses of the carriers during the recapture periods three principal matters were presented for consideration: (1) A sum of money which the board of directors of the O'Fallon voted should be paid to the president of that company. (2) A considerable increase in the compensation of the chairman of the board of directors of each carrier. (3) The cost of operation and revenue derived from special train service in transporting miners between East St. Louis and the mines of the O'Fallon Coal Company at O'Fallon.

The president of the two companies, William Cotter, assumed his duties as president in 1916 at annual salaries of $6,000 from each carrier, or a total annual compensation from these carriers of $12,000. In 1920 his salary as president of the O'Fallon was increased to $10,000, making his total annual compensation from these roads $16,000. The latter salary bases were in effect during the recapture periods under consideration. It was testified by the president of these companies that when he assumed his duties in 1916 the Manufacturers' was in fair condition physically but in poor condition financially, and that the O'Fallon was in fairly good condition financially but the roadbed and equipment particularly were in very bad condition; he took the position of president of both companies at

the salaries stated with the understanding that should he be successful in rehabilitating the properties and improving their financial and physical condition added compensation would be arranged for later as conditions improved. This understanding was stated to be a verbal agreement with the chairman of the board of directors, which had never been reduced to writing. It is contended by the respondents that the sums hereinafter referred to which were paid to the president were paid in pursuance of this agreement following improved conditions on the two roads.

On June 19, 1903, the O'Fallon and the East St. Louis & Suburban Railroad Company, hereinafter called the Suburban, entered into a contract under the terms of which, among other things, the O'Fallon received $4 per loaded car of 40 tons capacity for transporting coal originating on the Suburban from its junction with the O'Fallon 6.74 miles to East St. Louis. After May 11, 1905, the O'Fallon received $5 per loaded car of 50 tons capacity for this service. It was testified that, because in his opinion the compensation for the service performed by the O'Fallon in this connection was not sufficient, the president of the O'Fallon in 1920 directed the institution of proceedings before us seeking the establishment of just, reasonable, and equitable divisions to it out of the joint rate to St. Louis covering the transportation of coal from the mines on the Suburban. In *St. Louis & O'Fallon Ry. Co.* v. *E. St. L. & S. Ry. Co.*, 81 I. C. C. 338, we fixed divisions to the O'Fallon approximately double the compensation theretofore received by it for this transportation. It was stated that subsequently the O'Fallon and Suburban agreed upon payment for this service on the basis of a percentage of the rates covering the movement of the coal to St. Louis and other destinations.

There is in the record an extract from the minutes of the annual directors' meeting of the O'Fallon, Monday, April 2, 1923, reading as follows:

> Upon motion of Mr. Cotter, seconded by Mr. Wright, and carried by the unanimous vote of all directors present, a salary of $1,250.00 per month was voted to be paid to Mr. August A. Busch, Chairman of the Board.
>
> On motion of Mr. August A. Busch, duly seconded by Mr. Philip Marsh, and carried by the unanimous vote of all the directors present, except William Cotter, who did not vote, it was, resolved, that,
>
> Whereas, through the industry and diligence of William Cotter, as president of this corporation, an opportunity has been found to materially increase the revenues of this corporation through an investigation of its tariff relations with the East St. Louis and Suburban Railway Company, a connecting carrier, in respect of a substantial amount of interstate shipments that move over the lines of this corporation, and through the filing and prosecution before the Interstate Commerce Commission of a complaint seeking establishment of through and joint rates in respect of such tariffs, and seeking an order of the

Commission, allowing to this corporation a greater division out of through rates than the East Saint Louis and Suburban has heretofore been willing to consent to; and

Whereas, it is hoped and thought that a successful outcome of Mr. Cotter's said efforts will bring to the treasury of this corporation a substantial lump sum in cash, covering many freight movements antedating the decision of the Commission as well as the establishment of the larger divisions covering freight movements postdating the decision of the Commission; and

Whereas, the further prosecution of said matters will require a great deal of Mr. Cotter's time and services in addition to his regular duties as president, which latter are compensated for by his salary, and the Board deems it fair and proper that he be paid additional compensation as president for his said additional services to be rendered in connection with the further prosecution and litigation of said claim.

*Now therefore, Resolved*, That it is hereby agreed between this corporation and said William Cotter, who is present and enters into this agreement, that in case said litigation before the Interstate Commerce Commission shall be decided favorably to this corporation, and shall establish divisions with the St. Louis and O'Fallon Railway Company that are acceptable to this corporation, and shall also result, whether through separate agreement with said East St. Louis and Suburban Railway or otherwise, in the payment to this corporation of an amount greater than twenty five thousand dollars ($25,000.00) covering shipments antedating the decision and order of said Commission, then this corporation shall and will pay to said William Cotter as additional compensation for his services as president in accomplishing this successful conclusion of said matters, the sum of twenty five thousand ($25,000.00); and in case said amount so recovered shall be less than twenty five thousand dollars ($25,000.00), then this corporation shall pay the said William Cotter such amount less than twenty five thousand dollars ($25,000.00) as shall have been thus received by this corporation.

The total amount of money received by the O'Fallon from the Suburban in the readjustment of divisions on past shipments was approximately $58,000. The O'Fallon paid to its president the full amount of $25,000 agreed to in the minutes quoted. Twelve thousand dollars of this sum was paid in December, 1923, and the remainder during the year 1924. The vouchers covering these payments indicate the purpose of the payments to have been the same as outlined in the minutes quoted. It was testified that none of the amounts was actually paid until the money had been received from the Suburban. Nothing appears of record to indicate what services were performed by the president in addition to his regular duties which would justify the payment to him of any amount in excess of his regular salary, although he appeared as a witness and had full opportunity to explain.

In 1916 August A. Busch received a salary of $2,400 as chairman of the board of directors of the O'Fallon and a like salary as chairman of the board of directors of the Manufacturers'. From April 1, 1918, to March 1, 1919, he received no salary from either road due to his interpretation of an order of the United States Railroad Admin-

istration to the effect that unnecessary employees be eliminated from the pay rolls. On March 1, 1919, he was restored to the pay rolls of the O'Fallon at an annual salary of $2,400. Effective April 1, 1923, pursuant to the first paragraph of the quoted minutes, his salary as chairman of the board of directors of the O'Fallon was increased from $2,400 to $15,000 per annum, and effective the same date his salary for a like position with the Manufacturers' was established at $3,000 per annum. There is nothing in the record to indicate that the chairman of the boards of directors then took any more active part in the operation or financial affairs of these carriers than he did in 1918 when, under his interpretation of an order of the United States Railroad Administration, he caused his name to be stricken from the pay rolls of these carriers.

In *Chicago, &c., Railway Co.* v. *Wellman*, 143 U. S. 339, the Supreme Court of the United States said at p. 346:

> While the protection of vested rights of property is a supreme duty of the courts, it has not come to this, that the legislative power rests subservient to the discretion of any railroad corporation which may, by exorbitant and unreasonable salaries, or in some other improper way, transfer its earnings into what it is pleased to call "operating expenses."

Regarding what constitutes exorbitant or unreasonable charges to operating expenses the same court said in *S. W. Tel. Co.* v. *Pub. Serv. Comm.*, 262 U. S. 276, 289:

> It must never be forgotten that while the state may regulate with a view to enforcing reasonable rates and charges, it is not the owner of the property of public utility companies and is not clothed with the general power of management incident to ownership. The applicable general rule is well expressed in *State Public Utilities Commission ex rel. Springfield* v. *Springfield Gas & Electric Company*, 291 Ill. 209, 234.
>
> The Commission is not the financial manager of the corporation and it is not empowered to substitute its judgment for that of the directors of the corporation; nor can it ignore items charged by the utility as operating expenses *unless there is an abuse of discretion in that regard by the corporate officers.* [Italics ours.]

In *Construction and Repair of Railway Equipment*, 107 I. C. C. 721, and prior reports in the same proceeding, we had before us the question of the reasonableness of the cost of repairs of equipment and in the cited case said at p. 735:

> Without attempting to draw the exact line, the record compels us to regard a substantial portion of the extraordinary expenditures incurred by respondent in this outside repair work as improvident and of a character which should be considered when fixing rates to yield the standard return as provided by the act.

In considering the charges for compensation to the president and chairman of the board of the respective carriers as outlined above, we must bear in mind the purposes of the enactment of section 15a

and the opinion of the Supreme Court of the United States respecting the disposition of income of carriers as controlled by the statute, as stated in *Dayton-Goose Creek Ry.* v. *U. S.*, *supra*, where the court said at p. 484:

> The statute declares the carrier to be only a trustee for the excess over a fair return received by it. Though in its possession, the excess never becomes its property and it accepts custody of the product of all the rates with this understanding. It is clear, therefore, that the carrier never has such a title to the excess as to render the recapture of it by the Government a taking without due process.

It is evident from a consideration of all the circumstances surrounding the transactions referred to that the payment to the president of the O'Fallon of the $25,000 received from the Suburban out of increased divisions for past shipments and the increase in the salary of the chairman of the board in contemplation of a continuance of increased divisions in the future is without any further justification than the availability of funds from the sources indicated. In view of the fact that the statute, as was recognized by the Supreme Court in the above quotation, makes the excess earned by an interstate railroad over a fair return on the value of its property a trust fund for the United States, we think it improper for the O'Fallon to have diverted to "operating expenses" the portion of such trust fund represented by the increased compensation to the president and the chairman of the board of directors. Such radical increases in compensation for these positions, over what had been paid for many previous years, require other justification than the mere availability of funds, which is, upon analysis, substantially the only justification offered of record. We are without authority to direct the actual disposition of income of carriers, but in our computation of the amount of net railway operating income for the recapture periods we shall not include as charges to operating expenses the increases in compensation to the president and chairman of the board of directors of the O'Fallon during 1923.

The provision of paragraph (9) of section 15a which empowers us to "prescribe rules and regulations for the determination and recovery of the excess income" is, in our opinion, broad authority for such adjustments of net railway operating income as are here involved. Without such authority there would be nothing to prevent virtual defeat of the recapture provisions by the diversion of funds through unwarranted charges to operating expenses.

Under the provisions of section 15a, one-half of the net railway operating income of any carrier during any year in excess of 6 per cent of the value of the railway property held for and used by it in the service of transportation is subject to recapture. It becomes

necessary, therefore, for us to scrutinize closely the acts of a carrier which underlie its reported net railway operating income for any particular period. The items which reduce operating revenue to net railway operating income are largely embraced in charges to operating expenses. In our administration of section 15a we may not permit the purpose of the act to be defeated by the distribution under the guise of operating expenses of what is in reality excess income. It is not necessary that we find that the carrier intended such a result. Whatever the intent, the fact remains that the excess income which is subject to recapture is a trust fund in the hands of the carrier which never becomes its property, and no charges to operating expenses which are plainly in excess of reasonable operating needs can be permitted to deplete that fund. Manifestly considerable latitude must be given the officers of a carrier in determining what are reasonably necessary charges to operating expenses, but the evidence clearly indicates that the charges here in question were not within any latitude that may properly be allowed. We are therefore bound to exclude such sums from consideration in our determination of net railway operating income for the period during which such charges occurred.

The O'Fallon operates a special train for transporting employees of the O'Fallon Coal Company between East St. Louis and French Village, Ill., and O'Fallon. French Village is about half way between East St. Louis and O'Fallon. This special train is operated only on days when the mines of the coal company are in operation, miners being brought to O'Fallon in the morning and a return trip made in the evening. The equipment used is described as antiquated passenger coaches from which the usual passenger seats have been removed and rough parallel benches installed. The movement is entirely in the State of Illinois and is covered by a tariff on file with the Illinois Commerce Commission. The tariff charge is a flat rate of $300 per month to the coal company regardless of the number of days the train is operated. The record contains an estimate by the auditor of the O'Fallon of the cost of operation of the special train. This estimate, while not a complete analysis of cost, indicates that the tariff rate at least covers the cost of operation and possibly a little more. The O'Fallon does not engage in passenger transportation. It does not appear that this special service imposes any burden upon interstate commerce which requires further consideration.

VALUE AND INCOME OF THE O'FALLON

We have discussed above the objections of the carriers to a finding of value at this time and have shown the necessity for adopting a procedure in determining value for recapture purposes differing somewhat from the procedure followed under section 19a.

Having in mind the provisions of paragraph (4) of section 15a, it is clear, however, that the value to be determined for the purposes of recapture under that section is, like that to be determined under section 19a, the "value for rate-making purposes." Unless otherwise specified, the word "value" herein is used in the sense of rate-making value as defined and discussed in our numerous valuation cases.

Counsel further object to a finding of value for that portion of the year 1920 during which section 15a was in effect. This objection is based upon a narrow construction of the first sentence of paragraph (6) of section 15a reading in part, "If under the provisions of this section, any carrier receives for any year a net railway operating income." That this section is not subject to so narrow a construction is apparent from the provisions of paragraph (9) that "The commission shall make proper adjustments to provide for the computation of excess income for a portion of a year, and for a year in which a change in the percentage constituting a fair return or in the value of a carrier's railway property becomes effective."

It was contended by counsel on argument that the value contemplated by section 15a is the aggregate value of the railway property of the carriers of the country as a whole or as a whole in such rate groups as we may designate, held for and used in the service of transportation; that there is no authority under paragraph (4) of section 15a to find the value of individual railroads, but that the provisions of that paragraph authorize us, from time to time and as often as may be necessary, to determine the aggregate value of such property and to change the aggregate value so determined, either up or down, as the values of the individual roads are computed under the provisions of section 19a. This contention loses sight of the fact that the aggregate value referred to must be made up of the values of individual roads, and, further, that the prescribed portion of the excess income over a fair return received by "any carrier" must be paid into the contingent fund by the individual carrier. There is no provision for basing a determination as to recapturable income upon the aggregate value, and this would necessitate a pooling of the net railway operating incomes of the carriers as a whole or in rate groups for any period for which such aggregate value might be determined. The contention further loses sight of the fact that paragraph (6) definitely provides that the individual values for recapture purposes shall be determined "in the manner provided in paragraph (4)."

It is further contended that the aggregate value may be determined at once, although no definite method of making such determination was advanced, but that the finding of individual values for recapture purposes must be postponed until after values have been

ascertained under the provisions of section 19a. The recapture provisions of section 15a apply to the value of the property and the net railway operating income of the carriers for each year or portion thereof during which there is an excess over a fair return. These values may change from year to year, and certainly the net railway operating income of the individual carriers will show great variance from year to year. The values under section 19a are to be found once for every common carrier subject to the provisions of the interstate commerce act, and paragraph (f) of that section provides that thereafter we "shall from time to time, revise and correct" our valuations. To delay the operation of the recapture provisions of the act until such valuations or revisions thereof under section 19a are made for each of the years in which the individual carriers might be subject to recapture would most certainly defeat the purpose of such provisions.

The statute directs that in determining values pursuant to section 15a we shall "give due consideration to all the elements of value recognized by the law of the land for rate-making purposes." In the methods of valuation which we have followed in this proceeding we have endeavored to give heed to this direction, having in mind not only the conditions existent upon these particular carriers, but also the necessity in the application of these methods to the carriers generally of protecting the private owners of railroad property in their constitutional rights and at the same time of assuring to the public the continued maintenance and operation of a transportation system capable of rendering efficient service at reasonable rates.

Before considering these methods or principles of valuation we shall summarize the evidence with respect to the property of the O'Fallon held for and used in the service of transportation. We have made no final ascertainment in the manner contemplated by section 19a of the value of that property. The investigation for that purpose is in progress, but has not been concluded. Its immediate object is the ascertaining and reporting of the value for rate-making purposes as of June 30, 1919. As of that date all property owned or used for common-carrier purposes has been inventoried and its condition noted, and an examination of the records and accounts has been made. Certain of the results of that investigation are available, and exhibits setting these forth were made a part of the record herein. The usual accounting, engineering, and land reports, prepared by our bureau of valuation, hereinafter referred to as the bureau, in accordance with instructions, rules, regulations, and methods approved by us had been served upon the carrier prior to the commencement of this proceeding. Testimony and exhibits presented by the carrier and the bureau in this record, in so far as these relate to the value of

this carrier's property, make reference to, and to a considerable extent are based upon, these underlying reports. The reports themselves were introduced in evidence in exhibit form.

The information contained in these underlying reports is therefore available for consideration in determining the value of the property of the carrier held for and used in the service of transportation, within the meaning of paragraphs (4) and (6) of section 15a, for the several recapture periods. Such reports were prepared in final form by the bureau only after the carrier had been given the usual preliminary opportunity to take informal exceptions to them, and to confer with the bureau regarding such exceptions.

The accounting report as of June 30, 1919, upon which the tentative valuation under section 19a is in part to be based, together with supplements bringing the data therein contained down through the respective recapture periods, contains a complete corporate and financial history of the O'Fallon, the obtainable data on the original cost of its property, an analysis of its road and equipment investment account, statements of income and profit and loss, with the dividend history of the company, and the general balance sheet statements. The original cost to date of the property as a whole can not be ascertained. No complete analysis of the road and equipment investment account can be made, for the reason that the carrier's accounting records for the period from the date of its incorporation, June 1, 1896, to June 1, 1908, are missing.

Exhibits submitted by a witness for the bureau show the recorded investment in road and equipment to have been $1,005,953 on June 30, 1919, $1,090,987 on December 31, 1990, $1,139,309 on December 31, 1921, $1,141,126 on December 31, 1922, and $1,114,445 on December 31, 1923.

To the investment in road and equipment balances reported by the carrier, our accountants have taken certain exceptions. They point out that each of such balances includes an opening entry of $907,804.87, as of June 1, 1908, which represents an arbitrary amount based on an inventory value of the property estimated by the company's civil engineer as of that date. It does not, therefore, indicate what the actual investment was in the property owned on that date.

For additions and betterments, less retirements, it is shown that the O'Fallon made net outlays during the period from June 1, 1908, to June 30, 1919, aggregating $98,146.25.

Our bureau also introduced exhibits showing the gross charges for additions and betterments to common-carrier property subsequent to June 30, 1919, and the gross credits for such property as had been retired, resulting in a showing of the net increase or decrease in the original cost of common-carrier property. These net increases or decreases, as restated by the bureau, were as follows:

| | |
|---|---|
| July 1, 1919, to Feb. 29, 1920, increase | $4,132.76 |
| Mar. 1, 1920, to Dec. 31, 1920, increase | 10,759.32 |
| Jan. 1, 1921, to Dec. 31, 1921, increase | 112,942.97 |
| Jan. 1, 1922, to Dec. 31, 1922, increase | 1,454.42 |
| Jan. 1, 1923, to Dec. 31, 1923, decrease | 8,252.74 |

These exhibits also contain computations designed to show the average cost of the property placed in service during each of the recapture periods. As illustrative of this, the net increase in original cost during the period March 1 to December 31, 1920, was $10,759.32, as shown above. But not all of the property represented by this net charge was in service during the entire ten months' period, since additions and betterments, or retirements, were made month by month. In fact, property costing almost $9,000 was placed in service during the months of November and December, 1920. To determine the average cost of the property placed in service during the period, the cost of property installed during a particular month was multiplied by the number of months remaining in the year, and the total for all months thus obtained was then divided by the number of months in the recapture period. The average costs arrived at in this manner for each of the periods here under consideration were as follows:

| | |
|---|---|
| Mar. 1, 1920, to Dec. 31, 1920 | $1,431.91 |
| Jan. 1, 1921, to Dec. 31, 1921 | 9,967.76 |
| Jan. 1, 1922, to Dec. 31, 1922 | 539.11 |
| Jan. 1, 1923, to Dec. 31, 1923 | [1] 1,542.69 |

The underlying engineering report, on which the tentative valuation in the 19a proceeding is in part to be based, contains estimates of cost of reproduction new and cost of reproduction less depreciation as of June 30, 1919, based upon 1914 unit prices. These unit prices have been determined, as explained by us in numerous reports in valuation cases, by consideration of the prices for labor and materials and the cost of constructing and equipping railroads, in most instances during a five-year period ended June 30, 1914, but in certain other instances during periods of 10 years or more ended June 30, 1914. *Texas Midland Railroad*, 75 I. C. C. 1.

There are also in evidence estimates by our bureau of the costs of reproduction new and reproduction less depreciation of the property which the carrier owned and used in performing transportation service on December 31, 1920, 1921, 1922, and 1923. The prices used by our engineers in formulating these estimates were the 1914 unit prices, as previously defined. The quantities in the several accounts comprised in the reproduction cost schedules were determined by

[1] Credit.

taking the inventory made as of June 30, 1919, and allowing for additions of new units placed in service and subtractions of units retired from service since that date. Reports made by the carrier to us, which have been verified, show such additions or retirements subsequent to June 30, 1919.

The following table shows the costs of reproduction new and reproduction less depreciation of the property of the O'Fallon, exclusive of land, on June 30, 1919, and on December 31, 1920, 1921, 1922, and 1923, based upon the 1914 unit prices:

| Date | Cost of reproduction new | Cost of reproduction less depreciation |
|---|---|---|
| June 30, 1919 | $927,884 | $673,888 |
| Dec. 31, 1920 | 936,732 | 655,621 |
| Dec. 31, 1921 | 900,552 | 662,922 |
| Dec. 31, 1922 | 851,974 | 674,709 |
| Dec. 31, 1923 | 940,708 | 643,448 |

No attempt was made by witnesses for the bureau to restate these estimates upon the basis of prices for the four recapture periods. A witness for the bureau testified, however, that in his opinion, as a result of his investigation, the ratios of the current unit prices at the end of each of the four recapture periods, as compared with the 1914 unit prices, were represented by composite index numbers as follows, the 1914 unit prices being considered 100: For Dec. 31, 1920, 230; for Dec. 31, 1921, 195; for Dec. 31, 1922, 157; and for Dec. 31, 1923, 174. These index figures, the witness explained, were developed from a study of many sources of information, including reports of carriers in response to our valuation order No. 14, which reports show prices paid for major purchases of materials, and rates of compensation paid for labor, information obtained from bureaus of the Government, including reports of the Bureau of Labor Statistics of the Department of Labor, trade papers, and correspondence with manufacturers.

Since the hearing there has been made a part of the record, by appropriate agreement, a statement prepared by the carrier showing by accounts the actual costs of units of property put into use in common-carrier service by the O'Fallon between July 1, 1914, and June 30, 1919, both inclusive. In this statement there is also shown the total estimated costs of reproduction new of the same items of property as these appear in the underlying engineering report, and which were arrived at, as already stated, by the use of the 1914 unit prices. The comparison of the actual and the estimated costs for the 5-year period as set forth in the statement shows that the actual

costs, $95,136.63, exceeded the estimated costs, $56,293.51, by $38,843.12.

The underlying report of the land section of the bureau contains a classification and appraisal of all lands owned or used by the carrier on June 30, 1919. Their value is stated therein upon the basis of the appraised market value on June 30, 1919, of similar adjoining and adjacent lands. An exhibit introduced by one of our land appraisers shows the value, so arrived at, of lands owned and used by the carrier during the period from March 1, 1920, to December 31, 1923, comprising 91.35 acres, to have been $48,009.75. A witness for the carrier introduced evidence that the value of these lands for the period in question was $50,556.25. That is the amount stated in the underlying land report as the value of these lands on June 30, 1919. There was no change in area of lands of the carrier between that date and Dec. 31, 1923.

One of our valuation accountants testified concerning the amount of working capital necessary for the carrier's use in connection with its common-carrier operations for the ten months ended December 31, 1920, and for each of the years ended December 31, 1921, 1922, and 1923. The witness's investigation was based upon information submitted in response to a questionnaire that had been forwarded to the carrier. The purport of his testimony was to the effect that collections of revenue by the carrier were considerably in advance of payments on account of the service creating the revenue, which resulted in a balance of receipts over expenditures sufficient to obviate the necessity of carrying on hand a cash fund in the nature of an investment. This witness introduced an exhibit showing the average amount representing materials and supplies on hand in excess of the stock drawn upon for additions and betterments for the several recapture periods. For the ten months ended December 31, 1920, this amount was $77,388; for the year 1921, $50,760; for the year 1922, $40,263; and for the year 1923, $44,259. These amounts are 19.15, 16.49, 14.2, and 11.35 per cent of operating expenses for the respective periods. There was testimony to the effect that the average amount carried by railway companies throughout the United States by way of an investment in a stock of materials and supplies for operating purposes is approximately 10 per cent of their annual operating expenses. It will be observed that this percentage was being approached by this carrier in 1922 and 1923.

In rendering its returns to recapture provision orders hereinbefore mentioned, the O'Fallon stated as the value of its property the amount of its investment as shown by its books of account and as stated in its annual reports to us. At the hearing a witness for the carrier introduced evidence of value based upon the inventories made by our engineers in pursuance of the section 19a investiga-

tion, to which had been applied 1914 unit prices, thereby obtaining the cost of reproduction new as stated in the underlying engineering report. He made adjustments in the underlying engineering report for each of the recapture periods, based upon reports the carrier had made to us in compliance with our valuation order No. 3. By the use of ratios purporting to represent increases in prices of labor and materials between the year 1914 and the respective recapture periods he undertook to state the cost of reproduction new of the road and equipment as of December 31, 1920, 1921, 1922, and 1923. The United States Department of Labor, Bureau of Labor Statistics Bulletin No. 335, showing wholesale prices 1890 to 1922, inclusive, and Research Report No. 70 of the National Industrial Conference Board, showing wages, hours, and employment of railroad workers, were introduced of record as indicating in part the sources of information from which these ratios were developed. It must be evident that to the extent to which price indices embrace prices of materials not used in railroad structures they can have only a limited application here. To the resulting reproduction cost estimates he added the value of land used for transportation purposes as stated in the underlying land report in the section 19a proceeding. He also added the amount of cash actually on hand and the balance in the material and supplies accounts. By this process he arrived at values for the respective recapture periods as shown by the following table:

| | Dec. 31, 1920 | Dec. 31, 1921 | Dec. 31, 1922 | Dec. 31, 1923 |
|---|---|---|---|---|
| Road and equipment (not including land) | $2,112,709.77 | $1,862,247.84 | $1,671,026.57 | $1,639,044.77 |
| Land | 30,556.25 | 30,556.25 | 30,556.25 | 30,556.25 |
| Cash | 47,302.14 | 77,179.93 | 78,022.53 | 66,223.69 |
| Material and supplies | 94,912.27 | 48,651.17 | 42,180.07 | 63,123.70 |
| | 2,285,520.39 | 1,738,632.19 | 1,641,783.42 | 1,819,982.31 |

The foregoing summary of evidence in the record upon the question of the value of the property used by the O'Fallon in the service of transportation is sufficient to show that there are presented for consideration the following: (1) The carrier's book record of investment. This can not be accepted in its entirety as an accurate statement of actual outlay for the property for reasons previously given. It may be regarded as substantially accurate in so far as it sets forth debits and credits to the investment account since June 30, 1919. Supervision of the carrier's accounts during this period has, in fact, enabled us to verify the accuracy of entries made in its books that affect the investment account. (2) The reproduction cost new and less depreciation estimates as of June 30, 1919, and

as of December 31, in each of the recapture periods, for property other than lands. Our valuation engineers and the carrier's engineers presented these estimates in different forms. Both began their computations with the underlying engineering report, in which the 1914 unit prices were applied to the property inventoried as of June 30, 1919. Both adjusted that inventory as to quantities by reference to the same sources of information—that is, the carrier's report to us—so that they are in agreement regarding the amounts and kinds of units of property in service on June 30, 1919, and the cost of net additions to the property during each of the four recapture periods. They differ in that our engineers set forth estimates of cost of reproduction new and cost of reproduction less depreciation and the carrier's engineers stated only cost of reproduction new estimates. They differ also in that our engineers made no application to the revised inventories of any unit prices, except the 1914 unit prices, although they testified regarding index numbers showing general price increases for the recapture periods; whereas the carrier's engineers applied to the revised inventories, as appraised on the 1914 unit price basis, ratios which in their opinion indicated the increased costs of reproduction new for the several recapture periods. (3) The value of lands. As to these our appraisers and the carrier's witnesses are in substantial agreement. (4) Studies regarding working capital. The carrier's witnesses included in their computed values the amounts of cash and the book charges for materials and supplies on hand at the end of each recapture period. Our valuation accountants presented the results of their analyses of the carrier's accounts, made for the purpose of determining the extent of the actual need of investment in cash and in materials and supplies to take care of demands for these in connection with the performance of transportation service. These analyses show conclusively that the O'Fallon collected its revenues sufficiently in advance of the time for payment of expenses of the service which produced the revenues to render an investment in cash working capital unnecessary. It is clear that during the period, 1919 to 1923, an investment of approximately $50,000 in a stock of materials and supplies amply met the carrier's needs for working capital purposes.

In addition to these elements of value, stated in more or less definite sums of money, the record presents for consideration descriptions of the carrier, of its traffic, of the territory in which it operates, its history, and summaries of the results of its operation. There are in evidence also statements showing the cost of units of property added, and deductions for property retired, between June 30, 1919, and the end of each of the recapture periods.

Considering separately property other than land, the evidence which has been most carefully and thoroughly prepared, and in which full confidence may be placed is that embodied in the underlying accounting and engineering reports. This evidence relates exclusively to the value of the property as of June 30, 1919. The information contained in these reports showing, among other things, costs of reproduction new and less depreciation, original costs for some items, the amount of investment in road and equipment as recorded in the carrier's books, the extent and character of the traffic handled and the history of the corporation and of its financing, was gathered, analyzed, and compiled by employees in the bureau, with the assistance and cooperation in large measure of the carrier's representatives. For the purposes of this proceeding the carrier's witnesses have accepted much of that information as a basis for their contentions as to values in the later periods.

At the time of the hearing in this proceeding, as previously stated, the tentative valuation report setting forth tentatively our conclusions regarding the value of the property had not been issued, and the carrier had consequently been given no opportunity to present a formal protest of such a tentative valuation. In view, however, of the completeness and satisfactory character of all of the evidence in this record regarding the value of the property devoted by the O'Fallon to common-carrier service on June 30, 1919, and throughout the respective recapture periods, it is practicable to determine the value of such property for rate-making purposes as of the dates in question.

We now come to the consideration of how value shall be ascertained or derived from the facts of record.

Valuation counsel for western carriers has urged us to dispose of this case by itself and upon its own merits. That is the correct procedure. During the entire history of the commission it has been its practice to decide cases upon their individual merits and particular facts. When, however, counsel goes further and suggests that in this case we shall not give consideration "to what is to be done with the railroads of the country as a whole" we can not assent. We are dealing here with one small railroad. Nevertheless, what we do in this case we must in principle do for all the railroads in the United States. Whatever our decision, its effect in dollars and cents is relatively unimportant in this particular case. But, having in mind, as we must, the whole railroad situation, the decision is of the greatest consequence from both private and public viewpoints.

There is here presented, in reality, a great national problem affecting public policy and welfare in a most profound way. In essence it is presented as clearly as it could be in the case of a railroad involving hundreds of millions of investment. In important aspects it is a problem which has never before been presented to either a

commission or a court. We must carefully review the significance to the Nation of the decision which we make in this case in its bearings on the relation between all the railroads and all the people of the United States. It may well be that the valuation of railroads on a national scale requires the beginning of a new chapter in valuation.

Commissions and courts, including the Supreme Court of the United States, have had to deal with a multitude of valuation cases, relating for the most part to local utilities—water, gas, electric, and power properties. From a composite of all these cases various principles of valuation, frequently standing in striking contrast to one another, have been evolved by interested parties according as their interest lies. Before we apply any of these so-called principles, we believe it to be vital to take a general survey of the entire situation, in order that conclusions may be reached which in their ultimate effect upon the nation will be wise and just.

The basis of our authority in ascertaining and reporting valuations of common-carrier properties is an act of Congress passed in pursuance of its powers under the commerce clause of the Constitution. Upon the same powers rest the recapture provisions, which were designed by Congress to create a fund to be used "in furtherance of the public interest in railway transportation." Our problem in the administration of the valuation and recapture provisions is national in its scope and in its consequences, and is affected by a vast variety of considerations that either do not enter into, or are less easily perceived in, problems incident to the regulation of local public utilities. Limitations of issues, facts, or viewpoint impair many of the precedents which we are asked to follow by routes as divergent as the interests of those who make the requests.

Fundamentally the aim of the laws which we administer is the maintenance of an adequate national system of railway transportation, capable of providing the best possible service to the public at the lowest cost consistent with full justice to the private owners. In ascertaining values pursuant to section 15a we are, as has already been stated, directed to "give due consideration to all the elements of value recognized by the law of the land for rate-making purposes." The law of the land in this respect is, we believe, consistent with the aim above set forth.

The determination of the limits within which public regulation of railroads and public utilities may lawfully function has been a matter of slow growth. Many years ago the Supreme Court held in *Peik* v. *Chicago, etc., Railway Co.*, 94 U. S. 164, 178.

> Where property has been clothed with a public interest, the legislature may fix the limit to that which shall in law be reasonable for its use. This limit

binds the courts as well as the people. If it has been improperly fixed, the legislature, not the courts, must be appealed to for a change.

Several years later it was recognized in *Railroad Commission cases*, 116 U. S. 307, 331, that the "power to regulate is not a power to destroy, and limitation is not the equivalent of confiscation." The fundamental duty of the courts, so far as public regulation is concerned, is to prevent confiscation. So far as the States are concerned, the constitutional prohibition is in the fourteenth amendment, which provides that no person shall be deprived of property "without due process of law." So far as the Federal Government is concerned, the prohibition is in the fifth amendment, which provides also that private property shall not be "taken for public use without just compensation." Obviously neither one of these prohibitions defines confiscation, and their application to public regulation of railroads and utilities is a matter of judicial interpretation. Out of this necessity for interpretation grew the "fair value" rule, first enunciated in *Smyth* v. *Ames*, 169 U. S. 466, which lies at the root of this and other valuation proceedings.

In that pioneer case the court held that the "basis of all calculations as to the reasonableness of rates to be charged by a corporation maintaining a highway under legislative sanction must be the fair value of the property being used by it for the convenience of the public," and that "what the company is entitled to ask is a fair return upon the value of that which it employs for the public convenience." It laid down no definite rule for determining "fair value" but enumerated certain "matters for consideration" to be given "such weight as may be just and right in each case." Later, in the *Minnesota Rate Cases*, 230 U. S. 322, 434, the court made it clear that the determination of such value is "not a matter of formulas, but there must be a reasonable judgment having its basis in a proper consideration of all relevant facts." Some of the "matters for consideration" indicated in *Smyth* v. *Ames* are no longer emphasized; it is fair to say that they have been discarded in the progress of thought on this problem. One of them, however, was "the present as compared with the original cost of construction," and it is this factor, rechristened "cost of reproduction new at prices current on valuation date," that we are now urged to take as the basic measure of "fair value" to the exclusion of all other factors, except to the extent that it may be augmented by an allowance for something called "going value," which is vaguely defined in many different ways.

This insistence upon cost of reproduction new at current prices to the exclusion of everything else, or at least of everything that might tend to a lower value, calls for the closest scrutiny. The importance of the question which it presents has been magnified by the great in-

crease in the general price level resulting from the World War. When we undertook the valuation work under section 19a it was a question of much less importance, but the price revolution which has since taken place has elevated it to first rank.

As is well known, our railroads and public utilities, so far as they were constructed in the last century, and to some extent in the early years of this century, were in general built and financed and administered in such a way that no dependable record was kept of either what they should have cost or what they actually did cost. Under the circumstances it was natural that cost of reproduction should come into use as an important factor in determining a reasonable rate base. Although attended by much speculative uncertainty, it was a figure possible of estimate. In the absence of complete and reliable records, it was regarded, in a period of gradually rising prices, as providing a rate base amply remunerative to the private owners, for there was reason to believe that it was at least somewhat in excess of the original outlay.

The use of cost of reproduction is by no means free from practical difficulties. For example, the record here shows that there was a dearth of reliable data from which an accurate estimate of such cost could be made for the period 1920 to 1923. In proof of this assertion reference need only be made to the sources of the data relied upon by the witnesses both for the bureau and for the carriers. Their estimates for those years were founded in large part upon manufacturers' records and price statistics appearing in various publications, and to a lesser extent upon cost of construction actually incurred by railroads in that period. There was, in fact, very little new railroad construction in those years.

Synthetic estimates of cost of reproduction based upon statistics showing price and wage changes do not make allowance for improved methods of assembly and construction. As will hereinafter be more fully indicated, we found in *Texas Midland Railroad*, *supra*, at page 140, that the increase in the cost of labor and materials between 1900 and 1914 was largely offset by improvement in the art of construction. How far there may have been a similar offset, so far as costs in the period from 1920–1923 are concerned, is not disclosed of record.

But this is only an incidental objection to the use of current cost of reproduction as the basic measure of "fair value." The essential objection may best be presented by a brief survey of the railroad situation and consideration of the results which would flow from the acceptance of such doctrine. As we have seen, the constitutional prohibitions contain no definition of confiscation. The controlling factor in the last analysis is the Supreme Court's conception of

what is just and in harmony with a sound public policy. Nor is there any abstract standard of justice that can be applied. The question in many aspects is one of fact, and the answer, if it is to be wise and sound, requires knowledge of actual conditions and a consideration of practical results.

The end in view, as we have stated, is the maintenance of an adequate national railway transportation system. Such a system, so long as it is privately owned, obviously can not be provided and maintained without a continuous inflow of capital. Obviously, also, such an inflow of capital can only be assured by treatment of capital already invested which will invite and encourage further investment. We think it must be conceded that under a system of public regulation which produces such a result private property can not be confiscated. Confiscation is a taking of property without just compensation. It is idle to contend that treatment of private property which attracts and encourages further capital ventures can be confiscatory. Furthermore, public regulation of railroads which is to any considerable degree more liberal to the private owners than is necessary to maintain good credit under reasonably prudent, economical, and efficient management can not be justified. Along with the "fair value" rule this statement in *Smyth* v. *Ames*, *supra*, at page 544, should never be forgotten:

> A railroad is a public highway, and none the less so because constructed and maintained through the agency of a corporation deriving its existence and powers from the State. Such a corporation was created for public purposes. It performs a function of the State. Its authority to exercise the right of eminent domain and to charge tolls was given primarily for the benefit of the public.

More recently, in *Dayton-Goose Creek Ry.* v. *U. S.*, *supra*, at page 481, this idea was expressed as follows:

> By investment in a business dedicated to the public service the owner must recognize that, as compared with investment in private business, he cannot expect either high or speculative dividends but that his obligation limits him to only fair or reasonable profit.

If such limitations are to be imposed, plainly stability of income and return is a prime requisite. To say nothing of the disastrous effect upon the business and commercial world, violent fluctuations from heights of prosperity to depths of poverty are railroad conditions utterly inconsistent with the necessary attraction of private capital. A corollary of this proposition is that there must be assurance of stability in the rate base. If it is permitted to fluctuate with each change in general price level, and if rates must be adjusted accordingly, there can be no promise of a stable return to investors.

But if current cost of reproduction is to be used as the basic measure, wide and frequent fluctuations both up and down are inevitable.

As hereinafter indicated, we arrive at a basic single-sum value as of June 30, 1919, of $850,500. This figure includes $50,500 for lands and $50,000 for working capital. The value exclusive of land and working capital is $750,000. Using the latter figure as a base merely for purposes of comparison and applying thereto the ratios referred to herein as indicating the average rise in wages and prices over the 1914 level for the years immediately following June 30, 1919, and adding to the result $100,500 to cover land and working capital, the rate-making values for the respective recapture periods are shown to be as follows:

| Period ended | Ratio | Rate-making value |
|---|---|---|
| June 30, 1919 | 100 | $850,500 |
| Dec. 31, 1920 | 220 | 1,825,500 |
| Dec. 31, 1921 | 193 | 1,565,000 |
| Dec. 31, 1922 | 157 | 1,278,000 |
| Dec. 31, 1923 | 179 | 1,465,500 |

Different compilations yield different ratios, and those developed by the carrier are greater than the bureau's ratios. If, as is urged by many railroad counsel, current cost of reproduction virtually determines "fair value," the rate bases of the O'Fallon for the respective recapture periods would be not less than the amounts shown in the above table. Using these bases it would have been necessary in 1920, disregarding other changes, to have increased the element in the rates and charges representing return by 114.64 per cent, in order to have given the owners of the property the return to which they are entitled. This would have been in addition to increases made necessary by higher operating costs. In 1921 there would have been a reduction of 14.38 per cent in this element; in 1922 a further reduction of 18.23 per cent; while in 1923 there would have been an increase of 9.98 per cent. The variations in the rate levels so required would have been about 30 per cent of these percentages, assuming an operating ratio of 70; but even so these would have been large fluctuations.

Let us consider the effect of applying this doctrine of current reproduction cost to all railroad property in the United States. For convenience in calculation and for want of an accurate figure, we shall assume 18 billions as the value at 1914 unit prices of structures existing on June 30, 1919. The aggregate value which we used in *Ex Parte 74* at the time of the general rate increase of 1920 was $18,900,000,000 for all property used for transportation purposes. But taking 18 billions as a base and applying the bureau's ratios, the

value of precisely the same structures would have become 41.4 billions in 1920, 35.1 billions in 1921, 28.3 billions in 1922, and 31.3 billions in 1923. In other words, assuming a static property there would have been a gain of 23.4 billions in 1920, a loss of 6.3 billions in 1921, a further loss of 6.8 billions in 1922, and a gain again of 3 billions in 1923. These huge "profits" and "losses" would have occurred without change in the railroad property used in the public service other than the theoretical and speculative change derived from a shifting of general price levels. To put it still more graphically, by the application of the current reproduction cost doctrine the assumed base of 18 billions would have been increased in 1920 by a sum greater than the present national debt (about 19 billions), and the transportation burden upon the people of the country would have been correspondingly increased without the investment of a single dollar by those who would reap the benefits.

Of course the railroad property in the United States during this period was not actually static. There were continual accretions. But this illustrates another angle of the problem. During the seven years 1920 to 1926, inclusive, there was an approximate net investment in additions and betterments and new construction of 4 billions. These were paid for at then current prices, all above, in many cases far above, present prices. Assuming that there has since been an average decline in unit price level of 25 per cent, a valuation under the current reproduction cost doctrine would wipe out one billion of that additional investment. The effect upon any railroad entirely or largely constructed during the period 1920 to 1926 may be imagined.

In contrast with these illustrations of the results which would have flowed from the current reproduction cost doctrine, let us consider the actual course of events. Throughout the war period, when the railroads were under Federal control, the private owners were paid by the Government for the use of their property a rental based upon average net railway operating income for the three years June 30, 1914–1917, inclusive. This rental was determined without regard to the rapidly mounting general price level, but was generally satisfactory to the owners. In 1920, after the return to private control, we authorized general increases in rates based upon an aggregate value figure which was less than the aggregate recorded investment in road and equipment and working capital which the carriers wished us to use as a base. They did not then ask for a "value" based on the current price level, and accepted without complaint the increases authorized. In 1922 we required a general reduction in rates, using as a basis an aggregate value similar to that used in 1920. This reduction was not contested by the carriers. In 1926 we

denied a general increase in rates proposed by the carriers in the western district, and in that proceeding the carriers, while arguing that the current price level warranted a far higher "value," asked only that their aggregate recorded investment in road and equipment and working capital be used as a base. They conceded that traffic probably could not bear rates based on any higher amount.

It appears, therefore, that since the price revolution brought about by the World War, the railroads have not had nor have they sought returns based upon "values" swollen in harmony with the rise in general price level. Since the passage of the transportation act, 1920, we have allowed them rates intended to produce, on the average, a fair return upon aggregate values far below, in all probability, the values which would have resulted from the current reproduction cost doctrine. As a matter of fact, the railroads have not earned, on the average, the fair return which the rates were designed to produce. Yet they have accepted our findings and have, except in western territory to the extent above indicated, shown little disposition to seek further general increases. They have realized that to do so would be to risk conflict with inexorable economic conditions.

Now, what have been the results from this state of facts? As stated above, during the period 1920–1926, inclusive, the investment in railroad property increased by 4 billions of dollars. A substantial part of this money was derived from income, but much of it was obtained by the sale of new securities. The market for railroad securities since the passage of the transportation act, 1920, has steadily improved and the general trend of interest rates has been downward. The credit of the railroads in general is now excellent, and the time seems to be approaching rapidly when many of them will be able to finance not only through bonds and notes but by issues of new stock. Already some of them are financing their needs in this way. As shown above, investors have not been led to believe, either by our own acts or by the acts of railroad managers, that rates would be increased in an effort to secure income such as the current cost of reproduction doctrine would demand. Since 1920 the general trend of cost of reproduction new has been downward, but, on the other hand, the trend of the market prices of railroad securities has been very definitely upward. It is a matter of common knowledge that the increase in aggregate market values since 1920 has been very great. With exceptions in certain sections of the country it will be conceded that the railroads are now in better credit and financial condition, in all probability, than at any time in their history. The standard of service is clearly better than ever before. The exceptional situations are receiving consideration, with a view

to their improvement. The need for improvement in such situations is due not to any deficiency in the aggregate values which we have used as a base in the general rate cases but to failure to earn a fair return upon such values.

Under such circumstances can it be said with any show of reason that the private owners of this property devoted to the public service are suffering confiscation? Yet the current cost of reproduction doctrine would lead to that conclusion. It would even lead to the conclusion, indeed, that a large measure of confiscation exists in the case of some of the most prosperous railroads of the country, whose securities of all descriptions find a ready market at most favorable prices.

We have described above a course of events of which it has been our duty under the law to have knowledge and of which we have been a part. The description is supported by our own published reports and by common knowledge. It would be possible to illustrate the situation further by the leases and acquisitions of control of railroad property which have taken place in the past six years. It could, if it were necessary, be abundantly shown that there have been any number of cases where the private owners of railroad property have very willingly accepted rentals for long terms of years at figures materially below the return which would fix the limit of confiscation if the current reproduction cost doctrine were accepted.

If it had been applied in 1920, the current reproduction cost doctrine would have required general increases in rates very much higher than those which we authorized. The latter ranged from 25 to 40 per cent. It is quite conceivable that with the then current reproduction cost as the rate base increases of from 75 to 90 per cent might have been necessary. Neither the country nor the carriers could have endured such a rise in freight charges. Even now, when the general price level is materially lower than it was in 1920, a rate base so determined would in all probability require rates which the carriers would as a matter of self-interest hesitate to charge. The position which the carriers took in *Revenues in Western District, 1925*, 113 I. C. C. 3, is evidence to that effect. This amounts to saying that under such a doctrine of fair value the carriers would as a matter of self-interest choose confiscation. Plainly a doctrine which leads to such a conclusion is irrational.

The practical consequences of the current reproduction-cost doctrine may be viewed from yet another angle. Approximately one-third of the investment in railroad property is represented by common stock. The remaining two-thirds is represented by bonds, notes, or preferred stock, the holders of which are limited to a fixed or maximum return. The benefits of an excess in valuation from

a rise in the general price level would, therefore, be reaped threefold by the holders of common stock. The results so accruing from a heavy increase in prices, such as was brought about by the World War, would involve returns to the common-stock holders grotesque in their proportions, and particularly grotesque when considered as the limit below which confiscation would ensue. Of course, this is on the assumption that the traffic would bear the increase in freight rates necessary to produce such returns, an assumption which, as we have seen, is probably contrary to fact.

Theoretically the holders of common stock would suffer corresponding losses if the general price level should shift downward rather than upward, and this risk of loss is urged as justification for any gains that might accrue. We say "theoretically" because as a practical matter no consequences could be permitted to occur which would endanger the maintenance of a transportation system adequate to the national needs. The country would hardly, for the sake of consistency in theory, permit stockholders to suffer losses which in their effect upon railroad credit would react disastrously upon all industry. Thus in practice some limit would in all probability be set to any losses that might threaten the common-stock holders.

The conception of a rate base and returns thereon fluctuating up and down with changes in the level of general prices is a conception which, if carried into actual operation, could have no appeal except to stock-market speculators. It would be difficult to conceive of any plan more conducive to the encouragement of unrestrained speculation in railroad shares than such a method of valuation. In all probability it would provide a feast superior to anything which the bulls and bears have enjoyed since the creation of stock exchanges. History demonstrates beyond question that the general price level is never stable, and that its future fluctuations are impossible of successful forecast. The speculative possibilities of the current-cost-of-reproduction doctrine would be enhanced if the carriers should seek and be authorized to issue securities based upon "values" so determined. Securities issued upon such a valuation basis in 1920 would have exceeded by more than 100 per cent the amount that could have been issued upon the same property in 1914 upon the basis of the prices then prevailing, but a large part of the stockholders' equity would have been wiped out by the fall in prices since 1920.

We come back, after this exploration of the field of practical results, to the thought that stability is a prime requisite in this situation, both for investors and for the country as a whole. There is nothing more disturbing to commerce and industry than the prospect

of frequent and abrupt shifts in the general freight rate level; and there is nothing more disturbing to investors, as distinguished from speculators, than the prospect of frequent and wide shifts in security values. Public regulation of railroads, if it is to be successful, must rest upon a firm foundation and be guided by principles which will lend confidence to industry and investment. The current reproduction cost theory of "fair value" is utterly inconsistent with this end, and in our judgment it is equally inconsistent with any sound conception of justice.

The structures of a railroad system may be compared to a great river like the Mississippi, in which the main stream represents lines of railroad in the system and the branches represent the perpetual flow of new material into it. At New Orleans the Mississippi River is a composite of a vast multitude of waters contributed by a corresponding number of tributaries, big and little. Similarly, at any moment a railroad system is the result of contributions made by many different streams of materials, some wearing out rapidly and others slowly, but all requiring replacements from time to time. All are indispensable to keep the main stream efficient for service. Unless these collateral streams of materials maintain an uninterrupted flow into the railroad structure, the railroad system deteriorates and service to the public suffers. Each kind of material is acquired at prices prevailing when the purchases are made, either at the time of installation or prior thereto, when materials are drawn from accumulated stores, and during periods of time varying by days, months, and years. Just as the water of the Mississippi at New Orleans is composed of waters from myriads of different sources, so a railroad system is a composite of materials acquired at myriads of different prices and at infinitely varying periods of time, and put into the plant at many different levels of wages. Neither the highest price nor the lowest, nor the average, nor any price in between, represents the outlay made for the system. The only thing that does and can represent what the investor has contributed to the value of the property is the aggregate amount which was paid for the many different items in the perpetual stream of metamorphosing railroad structures.

A system of valuation for rate-making purposes based on actual, legitimate investment would have many appealing features. By reason of the replacements of units of railroad property which are continually taking place, such a system would tend to adjust itself to changes in the general price level. But this tendency would be manifested so gradually and slowly that changes in rates necessitated by value changes could be made without violence or disruption to business or any other interests. Such a system would also

recognize and protect every dollar invested in railroad property, whether at high prices or at low prices.

But there are practical difficulties in the way of the adoption of such a system. As we have already pointed out, there is an almost complete lack prior to 1907 of the definite and dependable records which would be essential. In reality, the valuation problem is divided into two parts, which can be quite clearly distinguished, and the date when our valuation work under section 19a began marks roughly the division line between these two parts. Since that date we have required the carriers to report in detail all property changes and their costs, and these costs can be verified and checked. In the case of all property which came into existence prior to that date we have an inventory made by our own engineers, but no complete, reliable information as to original costs. The first part of our problem, therefore, is to determine upon a fair single-sum value for this older property. The second part of our problem is to bring this value down to any subsequent date, in the light of the property changes since our valuation work began, of which we have complete reports.

The methods which we have followed in determining the basic values of the older property have been described at length in our valuation reports under section 19a. Briefly, we have had before us the cost of reproduction new of the structural portion of this property estimated on the basis of our 1914 unit prices, coupled with the knowledge that costs of reproduction so arrived at were not greatly different from the actual original costs. We have had complete information as to the depreciation of this property, in other words as to that portion which in reality had ceased to exist because of the consumption of service life. We have had complete information as to the value of the railroad lands, based on the contemporaneous market values of adjoining and adjacent lands. We have had information, as complete as could be secured, relative to the financial and corporate history of the property, including its past earnings. We have further had such information as could be developed with reference to possible appreciation in the value of certain parts of the property because of better adaptability for use, and with reference to such other matters as the carriers desired to bring to our attention.

From this accumulated information we have formed our judgment as to the fair basic single-sum values, not by the use of any formula but after consideration of all relevant facts. In our opinion these judgments have been reasonably liberal to the carriers. In all probability they are above rather than below the amounts which would have resulted if complete records had been available and the investment theory of valuation had been employed. But the public,

as represented by the Government, must bear some of the responsibility for the absence of records, and it is fair, under all the circumstances, that the basic valuations should be reasonably liberal.

In more than 400 reports relating to the value of individual railroad properties we have said:

> The estimates of cost of reproduction covered by this report are based upon what is referred to herein as the 1914 level of prices, while the present values of the common-carrier lands covered by the report are based upon the fair average of the normal market value of lands adjoining and adjacent to the rights of way, yards and terminals of the carrier, as of valuation date. This discrepancy will be removed when the commission adjusts to later dates, in accordance with the requirements of the Valuation Act, the final value herein reported.

What we are doing in the instant case is in conformity with our understanding of this language.

When it comes to bringing these basic valuations so arrived at down to any subsequent date, however, no good reason appears for doing more than making the necessary adjustments to reflect the property changes which have since occurred and which have been fully reported to us, and to reflect any further depreciation of the property. By the adoption of such a method of bringing values down to date we shall achieve the stability of rate base which we have found to be essential to a wise and just plan of public regulation. The method has the further advantages, also, that it is simple and easy of application and involves no great expense or delay and that its results are capable of reasonably accurate forecast. It insures fair treatment to the investor because a fair return will be secured for every dollar that has gone into the project, provided, of course, that traffic is available. Whatever the price level may be, however severe the fluctuations, this method will result in yielding a fair return on every dollar invested and remaining in the property. This is the greatest assurance which can be held out to prospective investors. No stronger inducements can be offered in fairness to all the interested parties.

It should not be forgotten that the value to be used as a rate base in the process of public regulation is only one element in the constitutional protection against confiscation of property. The other element is a "fair return" upon such value. Paragraph (3) of section 15a directs us to determine from time to time and make public "what percentage of such aggregate property value constitutes a fair return thereon," and it is definitely and specifically provided that in making such determination we "shall give due consideration, among other things, to the transportation needs of the country and the necessity (under honest, efficient, and economical management of existing transportation facilities) of enlarging such

facilities in order to provide the people of the United States with adequate transportation." Whatever the rate base, we are enjoined and required to so adjust the "fair return" that investment in railroad facilities will be encouraged and promoted and the companies maintained in good credit. If this end be accomplished, there can, in our opinion, be no confiscation. Moreover, adjustments in "fair return" necessary to accomplish this purpose can be made much more readily and with greater justice to all concerned than adjustments in "value." The prime requisites for the rate base, as we think we have made clear, are stability, reliability, and relative ease of adjustment to property changes.

In this connection it is significant that when the legislation of 1920, of which section 15a is a part, was under congressional consideration there was offered in behalf of the carriers a proposed bill in which their recorded investment in road and equipment was made the sole element in the determination of the rate base. It is also worthy of note that when the legislation of 1920 was under such consideration a representative of this commission on September 26, 1919, in response to a question, publicly informed the congressional committee that he knew of no warrant for an assumption "that the commission will base the value of the property wholly or in part on present prices."

It has been suggested that while it may be going too far to take current cost of reproduction as the basic measure of value, some weight ought to be given to changes in general price levels. Under the method outlined above we do give weight to such changes in so far as they have been reflected in prices paid for new construction or replacements, and we value lands at their prevailing market values. We know of no other way of giving weight to this factor which is not dependent upon caprice, unless full weight be given under the current reproduction cost doctrine. There is, in our judgment, no intermediate process possible which is capable of being applied by any rule independent of the caprice of those who apply it.

With this general discussion of principles we return to the particular problem confronting us in this case.

Since it is incumbent upon us to ascertain the value of the property as of the time covered by the inquiry regarding net railway operating income, we conclude that in this instance we should state the value found as of December 31, 1920, 1921, 1922, and 1923, the end of each of the recapture periods now under consideration. We shall, however, make proper adjustments necessary to take into account the average changes in property during each of such periods.

In the report of our engineers the costs of reproduction new and less depreciation of road, equipment, and general expenditures, ex-

clusive of lands, are stated in the amounts of $927,884 and $678,508, respectively. The property included in these estimates was that inventoried as of June 30, 1919, to which the 1914 unit prices had been applied. The actual cost of items included in the inventory, installed between July 1, 1914, and June 30, 1919, exceeded by $38,843.12 the amount of the estimated reproduction cost new of such items, as previously explained. In the report of our land appraisers, the value of the lands devoted to carrier purposes on June 30, 1919, was shown to be $50,556.25. The evidence, discussed above, shows that a proper amount to include in the value for rate making for working capital was $50,000. If the amount stated as cost of reproduction new is added to the values of the three other items, the sum is $1,067,283.37. If the amount stated as cost of reproduction less depreciation is substituted for the cost of reproduction new estimate, the sum is $817,905.37.

The capitalization of the O'Fallon and the history of its organization, financing, and results of operation as set forth in the report of our accountants are not in dispute. That report is supplemented by the testimony of the carrier's president that when he assumed management of the property in 1916, he found the earnings good and the physical property in bad condition. This record does not contain any evidence questioning the accuracy of the detailed inventory of 1919, made in the field by our engineers, nor disputing the adequacy of the 1914 unit prices. In the 1919 reproduction cost new and less depreciation schedules are included as overheads such general expenditures incident to construction as expenses of organization, general officers, law, stationery, printing, taxes on structures and interest during construction, which, together with construction engineering, also included, aggregate 5.5 per cent of the total costs of reproduction less depreciation estimates. The inventoried quantities include large amounts added during operation, as a part of maintenance, which under a different method of valuation might be regarded as coming under the head of costs of appreciation. Weighing the figures previously mentioned in the light of these considerations and the entire record, and viewing the carrier as a common carrier in successful operation and with an established business, we conclude that the value for rate-making purposes of the entire common carrier property of the O'Fallon on June 30, 1919, was $850,500.

It is urged on behalf of the O'Fallon, in effect, that the value of its property in 1914 was not less than the cost of reproducing it at prices then prevailing, and that its value in 1920 was at least its cost of reproduction at prices prevailing at that time. Our reasons for disapproving this doctrine have already been given at length, and

even if the cost of reproduction new in 1920 were to be regarded as a controlling element there is not in the present record evidence showing what it might have cost to reproduce the property of the O'Fallon at that time. The only evidence in this respect is that of the relation of general prices in 1914 and in 1920 and the other recapture years. Costs of railroad building, owing to improvements in methods and economies thereby effected, did not vary greatly during the period of 20 years preceding 1914, although the prices of labor and material fluctuated. There is no testimony here as to how much it cost to build any railroad or any substantial part of one in any of the recapture periods, and for that reason it is impossible to make a comparison of such costs in the two periods. It is not safe to assume, as the O'Fallon has assumed, that costs of building railroads have varied in recent years in direct ratio to the variation in costs of commodities in general use, or in the costs of materials or labor generally.

The fallacy of basing reproduction cost upon price curves or ratios is clearly indicated by the tabulations introduced by the carrier. As we have shown, a witness for the carrier developed reproduction costs for the several recapture periods by the use of ratios, using as a base the cost of reproduction new resulting from the application of 1914 prices to the inventory as shown in the underlying engineering report. By this method he developed for the O'Fallon a reproduction cost of road and equipment, not including land, of $2,112,708 for the period ended December 31, 1920. For the period ended December 31, 1922, this method developed for the same property, to which had been added in the meantime net additions and betterments of $125,156, a reproduction cost of $1,471,026, or a decrease of slightly more than 30 per cent in the value base in a period of tremendous national prosperity during which the business of the railroads of the country reached new records for volume, with marked increases in net revenue from railway operations.

Value rests upon a number of elements. The value of the property of railroads for rate-making purposes, which is construed to be the value of property devoted to common-carrier purposes upon which common carriers are entitled under the law to earn a fair return, approaches more nearly the reasonable and necessary investment in the property than the cost of reproducing it at a particular time. In those cases, of which there are many and of which the present case is an example, where it is impossible to ascertain and analyze the actual investment, resort must be had to the application, to complete property inventories, of unit prices derived from actual costs paid by carriers over a considerable period of years when railroad construction was being carried on extensively.

The line of railroad of the O'Fallon, approximately 9 miles in length, was constructed in the years from 1896 to 1900, both inclusive. While a satisfactory statement of the carrier's actual investment, or of the original cost of its property, is not available, much thought and effort have been devoted by us in our valuation work to determine the costs of building railroads during the years immediately following the period when this carrier's property was being built. The results of that study are reflected in the unit prices, which are herein termed 1914 unit prices, used in making the reproduction cost estimates of this property. With regard to the reliability of these unit prices for use in approximating the probable, reasonable, and necessary costs of constructing railroad properties built prior to June 30, 1914, we stated in *Texas Midland Railroad*, *supra*, at page 140, the following:

> While the commission is not as well informed today as it hopes to be before the end of its work, we are prepared to state with considerable confidence that the cost of producing and equipping a railroad in most parts of this country on June 30, 1914, was a fair average for at least the 20 years preceding. There had been many changes during that period. Some prices had advanced while others had declined. The cost of labor had somewhat increased, but improved methods tended to offset this increase. On the whole, the 1914 cost was just about an average for those previous years during which the great bulk of the railroad property then in use had come into existence.

The method which we therefore find logical and proper for determining the value in the subsequent recapture periods is to add to or subtract from the 1919 value the net increases or decreases in the investment in property devoted to transportation service as determined from the carrier's returns to valuation order No. 3, with due regard to the element of depreciation.

Applying this method the value for the purposes of this proceeding of the property which the O'Fallon was devoting to the service of the public during the 10 months ended December 31, 1920, was $856,065. This amount is composed of the sum of $850,500, which includes $50,500, the value of the common-carrier land, and the amount of $50,000 to cover the amount of the carrier's necessary investment in a stock of materials and supplies needed as working capital in carrying on its common-carrier operations during that period, and further the sum of $4,133, which has been found to be the net cost of additions and betterments less retirements during the period from July 1, 1919, to February 29, 1920, and the amount of $1,432 heretofore shown to be the average net cost of property added during the 10 months, March to December, inclusive, 1920.

This method produces for the calendar year 1921 as the value of the property devoted by the carrier to common-carrier service, for the purpose of this proceeding, $875,360. This amount is composed

of the sum of $856,065, the value for the 10 months ended December 31, 1920, plus $9,327, which is the difference between the average net costs of property added during these 10 months and the total amount thereof which remained as an investment in the property on December 31, 1920, and plus the amount of $9,968 heretofore shown to be the average net cost of property added during the year 1921.

By the same method the value of the property, for purposes of this proceeding, for the year 1922 was $978,874, and for the year 1923 was $978,246.

The values stated are the values of the railway property held for and used in the service of transportation by the O'Fallon during the periods designated, and they constitute the bases upon which the net railway operating income in excess of 6 per centum for each of such periods is to be computed. In determining these amounts the property valued is regarded as an instrument of transportation, employed in performing common-carrier service.

It was stipulated at the hearing that the amount of net railway operating income of the carrier for each of these periods might be entered in the record when determined and agreed upon by our bureau of accounts and the carriers. Such agreement has been reached and the following amounts entered in the record, with the carrier's approval, stated to be the amounts of net railway operating income of the carrier: For the period March to December, inclusive, 1920, $147,519.89; for the year ended December 31, 1921, $182,726.73; for the year ended December 31, 1922, $165,123.47; for the year ended December 31, 1923, $147,653.98. The net income for the year 1923 as agreed upon must be modified by the addition of the amounts previously referred to as being excessive and improper charges to operating expenses during the year. These charges amounted to $21,450, and this sum added to the $147,653.98 agreed upon results in $169,103.98, which sum is found to be the net railway operating income of the O'Fallon for the year ended December 31, 1923, for the purposes of this proceeding.

Our order of January 16, 1922, giving instructions for the computation of excess income for the portion of the year ended December 31, 1920, provided that such income should be preliminarily fixed as the income in excess of such proportion of 6 per cent on the value of the railway property held for and used in the service of transportation as the net railway operating income for the corresponding months of the test period bore to the total net railway operating income for that period. The carrier accepted this rule as a proper one in its case, and submitted computations showing that the rate to be applied would be 4.7103 per cent. Our bureau of accounts' computation, which was based upon revised figures of income, indicate

a rate of 4.76178 per cent. In computing the excess income for the recapture period of 1920, the latter rate is used.

We find that the values of the property of the O'Fallon, and the net railway operating income of said carrier, for the period March to December, inclusive, 1920, and for the years 1921, 1922, and 1923, determined for the purposes of the recapture provision of section 15a of the interstate commerce act are as stated herein.

We further find that the excess income of the O'Fallon subject to recapture during the periods stated, computed on the basis of the valuations and net railway operating income heretofore found, are as follows: For the period March to December, inclusive, 1920, $106,755.96; for the year 1921, $130,205.13; for the year 1922, $106,391.03; for the year 1923, $110,409.22. Of this excess, one-half, or for the period March to December, inclusive, 1920, $53,377.98; for the year 1921, $65,102.56; for the year 1922, $53,195.51; and for the year 1923, $55,204.61, should be paid to the United States and the remaining one-half placed in a reserve fund by the O'Fallon to the extent required by the provisions of section 15a of the interstate commerce act.

On March 28, 1924, Division 4 announced that "interest on amounts of excess railway operating income payable to the United States under the provisions of section 15a will be required at the rate of 6 per cent per annum, beginning four months after the termination of the period for which the said excess income is computed."

VALUE AND INCOME OF THE MANUFACTURERS'

The record made at the hearing regarding the value of the property of the Manufacturers' is of the same character as that regarding the value of the property of the O'Fallon. The investigation for the purpose of ascertaining the value of this property pursuant to section 19a is in progress but has not yet been concluded. As in the case of the O'Fallon, all property of the Manufacturers' owned or used by it for its purposes as a common carrier has been inventoried, its condition determined, and an examination of its records and accounts has been made with the view to ascertaining the value of such property primarily as of June 30, 1917. At the time of the hearing the underlying accounting, engineering, and land reports in the valuation investigation had been prepared and these were made a part of the record as exhibits in this case. No tentative valuation of the property of the Manufacturers' had been issued at the time of the hearing and consequently the carrier has been given no opportunity to file a formal protest against the tentative valuation. The three underlying reports which had been prepared by the bureau in accordance with instructions, rules, regulations, and methods ap-

proved by us had been served previously upon the carrier and it had been afforded an opportunity to take informal exceptions thereto. As in the case of the O'Fallon, much of the testimony and a number of the exhibits presented both by the carrier and the bureau, in so far as these relate to value of this carrier's property, make reference to, and to a considerable extent are based upon, these underlying reports.

There are in the record exhibits containing the accounting report as of June 30, 1917, and supplements thereto which bring the data therein set forth down through the respective recapture periods. In the record there is a complete corporate and financial history of the Manufacturers', a statement of the obtainable data regarding original cost of its property, an analysis of its investment in road and equipment, statements of income and profit and loss, the dividend history of the company, and the general balance-sheet statement. The original cost to date for all of the common-carrier property of the Manufacturers' has not been shown for the reason that records necessary to prove such costs were not obtainable. A complete analysis of this carrier's investment in road-and-equipment account can not be made for the reason that early accounting records are missing. The investment in road and equipment, including land, on June 30, 1917, is stated in the books of the Manufacturers' as $1,427,145. As restated in the accounting report, this amount is reduced to $1,378,435, of which $507,917, less an undetermined portion thereof assignable to offsetting items recorded at $25,511, represents considerations other than money, the cash value of which is not known and can not be determined. In this carrier's books there is an opening entry in the investment account of $182,417, representing amounts charged prior to 1907, for which details have not been obtained because of missing records.

Exhibits submitted by the witness for the bureau show the recorded investment in road and equipment of this carrier to have been $1,550,960 on December 31, 1920; $1,506,349 on December 31, 1921; $1,524,131 on December 31, 1922; and $1,570,378 on December 31, 1923. To these investment in road and equipment balances as reported by the company our accountants have taken certain exceptions which would reduce the amounts as stated in the carrier's books, $108,794 on December 31, 1920; $107,463 on December 31, 1921; $106,922 on December 31, 1922; and $109,767 on December 31, 1923. The witness also pointed out that there were further deductions which should be made before an accurate restatement of this carrier's investment account could be prepared but that the information necessary for this purpose was not available.

The witness for the bureau also introduced exhibits showing the gross charges for additions and betterments to common-carrier property subsequent to June 30, 1917, and the gross credits for such property as had been retired, resulting in a showing of the net increase or decrease in the original cost of common-carrier property. The net increases or decreases in original cost as restated by the accountants are as follows:

| | |
|---|---|
| July 1, 1917, to Feb. 29, 1920, increase | $73,282.17 |
| Mar. 1, 1920, to Dec. 31, 1920, increase | 5,067.77 |
| Jan. 1, 1921, to Dec. 31, 1921, decrease | 37,676.90 |
| Jan. 1, 1922, to Dec. 31, 1922, increase | 18,343.39 |
| Jan. 1, 1923, to Dec. 31, 1923, increase | 62,107.19 |

These exhibits contain computations designed to show the average cost of the property placed in service during each of the recapture periods as heretofore explained regarding similar exhibits relating to the property of the O'Fallon. The average costs thus obtained for each of the periods here under consideration are as follows:

| | |
|---|---|
| Mar. 1, 1920, to Dec. 31, 1920 | $10,366.93 |
| Jan. 1, 1921, to Dec. 31, 1921 | 565.30 |
| Jan. 1, 1922, to Dec. 31, 1922 | 6,545.21 |
| Jan. 1, 1923, to Dec. 31, 1923 | 17,421.59 |

The underlying engineering report, which is an exhibit in this record, contains estimates of the cost of reproduction new and cost of reproduction less depreciation, determined with reference to the 1914 price levels, as hereinbefore explained. No attempt was made by the engineers to restate these estimates of reproduction costs upon the basis of unit prices of labor or materials for the several recapture periods. As in the case of the O'Fallon, a witness for the bureau testified that in his opinion changes in the level of prices for labor and material between the year 1914 and the end of each of the four recapture periods were represented by composite index numbers, as follows: For December 31, 1920, 214; for December 31, 1921, 191; for December 31, 1922, 165; and for December 31, 1923, 181. The witness explained that his opinion was based mainly upon the same sources of information as in the case of the O'Fallon.

The following table compiled from figures contained in the exhibits submitted by the engineers shows the cost of reproduction new and the cost of reproduction less depreciation of property wholly owned and used by the Manufacturers', exclusive of land, on June 30, 1917, and on December 31, 1920, 1921, 1922, and 1923, based in each instance upon the 1914 unit prices:

| Date | Cost of reproduction new | Cost of reproduction less depreciation |
|---|---|---|
| June 30, 1917 | $963,972 | $818,450 |
| Dec. 31, 1920 | 1,000,670 | 800,330 |
| Dec. 31, 1921 | 947,763 | 767,371 |
| Dec. 31, 1922 | 955,774 | 781,517 |
| Dec. 31, 1923 | 971,572 | 763,979 |

Since the hearing there has been made a part of the record by appropriate agreement a statement prepared by the carrier showing by accounts the actual costs of units of property put into use in common-carrier service by the Manufacturers' between July 1, 1914, and June 30, 1917, both inclusive. In the statements there is also shown the total estimated costs of reproduction new of the same items of property, as these appear in the underlying engineering report, which were arrived at, as already stated, by the use of unit prices as of the 1914 pricing period. The comparison of the actual and the estimated costs for the three-year period as set forth in the statement shows that the actual costs exceeded the estimated costs by the amount of $1,316.35.

On June 30, 1917, the carrier used 7.36 acres of land which it owned; the present value thereof is stated in the underlying land report, which is an exhibit in this case, as of June 30, 1917, in the amount of $289,959. The Manufacturers' was also using at that time in its common-carrier service 12.82 acres of land which it did not own, but leased from private parties. In the exhibit containing the underlying land report the present value of these lands is shown as of June 30, 1917, in the amount of $438,564. The following table, based upon exhibits submitted in this record by our land appraisers, shows for the several recapture periods the area and present value of lands wholly owned and used and of the lands used but not owned by the Manufacturers' devoted to common-carrier services:

| Date | Lands owned and used | | Lands used, not owned | |
|---|---|---|---|---|
| | Acres | Present value | Acres | Present value |
| Dec. 31, 1920 | 6.36 | $282,979 | 12.82 | $437,322 |
| Dec. 31, 1921 | 6.23 | 266,508 | 14.35 | 521,607 |
| Dec. 31, 1922 | 6.76 | 276,694 | 14.74 | 553,504 |
| Dec. 31, 1923 | 7.39 | 287,676 | 14.74 | 553,504 |

As in the case of the O'Fallon, one of our valuation accountants testified concerning the amount of working capital necessary for the carrier's use in connection with its common-carrier operations for the 10 months ended December 31, 1920, and for each of the years

ended December 31, 1921, 1922, and 1923. In a revised exhibit filed after the close of the hearing, pursuant to an arrangement made at the hearing, which was based upon information furnished by the carrier in response to a questionnaire, it is made to appear that collections of revenue by the carrier in each of these periods were made promptly after the performance of the service, which resulted in a balance of receipts over expenditures sufficient to obviate the necessity of an investment by the carrier in cash for working-capital purposes. The witness testified regarding the average amount representing costs of materials and supplies on hand in excess of the stock drawn upon for additions and betterments for each of the several recapture periods, and submitted an exhibit showing that these amounts were as follows: For the 10 months ended December 31, 1920, $32,229; for the year 1921, $29,965; for the year 1922, $30,367; and for the year 1923, $25,962. These amounts are 14.7, 10.5, 13.7, and 9.23 per cent of the operating expenses for the respective periods. The accounting witness testified that the average amount carried by railway companies throughout the United States as an investment in a stock of materials and supplies for operating purposes was approximately 10 per cent of their average annual operating expenses. The accounting report in evidence here shows that the Manufacturers' investment in material and supplies on June 30, 1917, was $14,196.57. It is evident from a consideration of the evidence relating to working capital that the Manufacturers' investment in materials and supplies for each of the years measured its needs for working capital purposes and that it did not require an investment in cash in addition to the investment in materials and supplies.

As in the case of the O'Fallon, a witness for the carrier submitted evidence of value of the property of the Manufacturers' based upon inventories made by our engineers as of June 30, 1917, to which had been applied prices as of the 1914 period, thereby obtaining the cost of reproduction new and cost of reproduction less depreciation as stated in the underlying engineering report. The witness made adjustments of the underlying inventories for each of the recapture periods based upon reports the carrier had made to us in compliance with valuation order No. 3 for the purpose of showing the quantities and kinds of material on hand at the end of each of the recapture periods. He applied ratios which in his opinion represented increases in prices of labor and materials between the year 1914 and the respective recapture periods and undertook in this way to state the cost of reproduction new of the road and equipment as of December 31, 1920, 1921, 1922, and 1923. To the resulting reproduction cost estimates he added the values of land wholly owned

and used, and used but not owned, the value, according to his opinion, of certain electrical installation, and the amount of cash actually on hand, and the book investment in material and supplies, and by this process arrived at values for the respective recapture periods as shown in the following table:

| | Dec. 31, 1920 | Dec. 31, 1921 | Dec. 31, 1922 | Dec. 31, 1923 |
|---|---|---|---|---|
| Road and equipment (not including land) | $2,103,983.20 | $1,487,803.51 | $1,488,397.01 | $1,516,487.20 |
| Land, owned | 802,072.94 | 805,746.55 | 806,263.04 | 572,674.34 |
| Land, leased | 436,864.40 | 867,033.15 | 574,679.40 | 574,679.40 |
| Electric installation | 182,804.00 | 182,804.00 | 182,804.00 | 182,804.00 |
| Cash | 30,447.06 | 105,327.15 | 41,468.41 | 60,133.03 |
| Materials and supplies | 30,077.55 | 37,450.69 | 35,107.23 | 37,866.64 |
| Total | 3,305,620.14 | 3,062,625.05 | 3,033,333.09 | 3,194,215.09 |

The net railway operating income of the Manufacturers' as determined by our bureau of accounts and the carrier's accountants for each of the recapture periods was as follows:

| | |
|---|---|
| For the period March to December, inclusive, 1920 | $84,526.97 |
| For the year ended— | |
| December 31, 1921 | 52,092.13 |
| December 31, 1922 | 95,258.34 |
| December 31, 1923 | 84,371.29 |

It is evident from examination of the evidence relating to the value of the property of the Manufacturers' and the net railway operating income for the periods stated that it is not necessary, for the purposes of this proceeding, for us to reach a conclusion as to the value of this property for any of the recapture periods.

This investigation indicates conclusively, and we so find, that no excess income was received by the Manufacturers' for any of the recapture periods here under consideration.

An appropriate order will be entered.

EASTMAN, *Commissioner*, concurring:

I concur in the results reached in this case. They are, I believe, somewhat too favorable to the carriers, but not to an extent which warrants dissent. I also concur in most of what is said in support of the results. On some points I am not in accord with all that is said, but before indicating these points certain matters suggested by the dissenting opinions invite comment.

It is said that the report and the conclusions reached therein disregard the law as laid down by the Supreme Court. I do not believe that this is fairly descriptive of the situation. The court, as I read its decisions, has very wisely avoided a crystallization of the law with respect to the limits set by the Constitution to the public regulation of undertakings affected with a public interest.

There is no controlling decision under the statute which here governs our action, nor any other decision which can fairly be regarded as conclusive of the vital issue in this case. But let us assume for the sake of argument that there is the apparent disregard which is alleged. Where does our duty lie?

The Supreme Court is the final authority upon the law, but what it decides in one case to be the law may with further light and under certain conditions be superseded in a subsequent case by a modified or different conclusion. This is particularly true where the fundamental issue is one of public policy,[2] and it is preeminently true where it can be shown that the public welfare is gravely imperiled.

Where public policy is the issue, law is not a matter of dogmas nor should reasoning be confined to deductions from past judicial utterances. The vital thing is the essential purpose of the law in its relation to the public interest. The report herein seeks to go to this heart of the matter. So important is this point that I shall venture to amplify and emphasize its discussion.

It is here our duty to ascertain fair value for rate-making purposes. Such fair value is a concept which originated in an effort of the court to set limits to public regulation which would protect private property against confiscation. The constitutional necessity for such limits has its basis, so far as the States are concerned, in the "due-process" clause of the fourteenth amendment and, so far as the Federal Government is concerned, in the similar provisions of the fifth amendment. Every candid person who has studied the "due-process" clause and the many cases where it has been successfully or unsuccessfully invoked will concede that it offers wide scope for judicial interpretation, that in the process of interpretation the court is, and of necessity must be, guided largely by its conception of what is inherently just and consistent with a sound public policy, and that such conception is not a constant but a variable quantity dependent upon the political and economic views, habits of thought, extent of knowledge, and degree of enlightenment prevailing not only in the court but in the community generally. A reading of the majority and minority opinions in the *Rent Law Cases*, 256 U. S. 135 and 170, will suffice to make this clear.

In determining such questions knowledge of pertinent facts and an experience which makes it possible to visualize the probable results of a particular public policy are quite as important as familiarity

[2] As was said by Chief Justice Fuller in *Pollock v. Farmers' Loan & Trust Co.*, 157 U. S. 429, 579:

"Manifestly, as this court is clothed with the power, and intrusted with the duty, to maintain the fundamental law of the Constitution, the discharge of that duty requires it not to extend any decision upon a constitutional question if it is convinced that error in principle might supervene."

See also *The Propeller Genesee Chief et al. v. Fitzhugh et al.*, 12 How. 443, 455.

with the law books. It is an instance in which the law is influenced if not governed by the facts. When, therefore, the question relates to the constitutional limits of the public regulation of railroads, an intimate knowledge of railroads, of their relations with and their importance to the shipping and investing classes and to the public generally, and of their past history and future prospects becomes of the highest consequence. Such knowledge it is the peculiar duty of this commission to acquire. As to such matters it occupies a daily front seat upon the stage, while the Supreme Court of necessity is only an occasional visitor in the balcony. Whether the commission has the ability to make the best use of its opportunities for knowledge may be open to debate, but at least it must proceed upon that assumption.

I can not avoid the conclusion that the commission would be derelict in its duty in this case if it should confine its attention, so far as the fundamental law is concerned, to past utterances of the court in more or less analogous cases and should neglect the illumination which is thrown upon the law by its own intimate knowledge of transportation affairs and problems. I feel sure that the Supreme Court is itself desirous that we should speak both frankly and fully on these matters. *United States* v. *Los Angeles & Salt Lake R. R. Co.*, decided February 21, 1927, may perhaps be deemed an invitation to that effect. After the court has heard what we have to say it may decide that our conclusions as to the fundamental law are erroneous, and that will end the matter; but certainly we ought not to deprive the court of the help which it may gain from the special knowledge which it is our duty under the law to acquire. The report in this case seeks to impart this knowledge, so far as it seems pertinent, respectfully but candidly.[4]

This brings me to a consideration of the concept "fair value for rate-making purposes." In *San Pedro, Los Angeles & Salt Lake R. R. Co.*, 75 I. C. C. 463, 523–567, I discussed this matter at great length.[5] Here I shall only comment briefly on certain aspects which seem to merit emphasis at this time. The "fair-value" rule originated in *Smyth* v. *Ames* in an endeavor to fix the limit beyond which

[4] It may be remarked that the decisions in *Munn* v. *Illinois*, 94 U. S. 113, *Chicago, etc., R. R. Co.* v. *Iowa*, 94 U. S. 155, and *Peik* v. *Chicago, etc., Railway Co.*, 94 U. S. 164, did not prevent the railroads and utilities from seeking and obtaining subsequent decisions essentially reversing pronouncements in those cases. Nor have the decision in *Smyth* v. *Ames* and subsequent decisions of similar effect ever prevented the railroads and utilities from contending before the court that "original cost of construction," the first matter enumerated in *Smyth* v. *Ames* for consideration in determining "fair value," should be wholly ignored. Should a public body be less zealous in defense of the public interest than private bodies in defense of private interests?

[5] See also *Atlanta, Birmingham & Atlantic R. R. Co.*, 75 I. C. C. 645, 676–678; *Florida East Coast Ry. Co.*, 84 I. C. C. 25, 38–40; and *Kansas City Southern Ry. Co.*, 86 I. C. C. 113, 140–144.

public regulation could not justly go. It may fairly be said, and I think will be conceded by most critics, that the Supreme Court was guilty of confusion of thought in that case, particularly in the use of the word "value." Obviously the market value of a property is dependent largely upon its earning power, present and prospective, and can not be used as a basis for determining what that earning power shall be. It follows that "fair value for rate-making purposes" is not "value" in the ordinary sense of the word. A definition was attempted in *Smyth* v. *Ames*, but it was a mere enumeration of "matters for consideration * * * to be given such weight as may be just and right in each case." Vastly different results are possible from such "consideration" dependent upon ideas as to what is "just and right." Out of this uncertainty a welter of debate has come. Utilities which have enjoyed large earnings in the past think it just that great weight be given to that fact, while utilities which have suffered small earnings are of contrary mind. Since the great increase in general price level following the World War, there has been a natural tendency on the part of those who would benefit thereby to believe it "just and right" that controlling weight be given to current cost of reproduction. Some of the matters enumerated in *Smyth* v. *Ames* are to-day given weight by nobody, and the cost-of-reproductionists would cast into the discard even that matter which in that decision was placed in the forefront, namely, "original cost of construction."

With cost of reproduction now exceeding original cost in most cases by anywhere from 50 to 80 per cent, it is clear that a method of determining value for rate-making purposes which leaves to unguided judgment the weight to be given such widely divergent factors can not produce satisfactory results and must be made more definite. That the Supreme Court has not yet reached firm ground may be gathered from a comparison of *McCardle* v. *Indianapolis Water Co.*, decided November 22, 1926, with *Georgia Ry. & Power Co.* v. *R. R. Comm.*, 262 U. S. 625; from the fact that Justice Brandeis, while advocating in a separate opinion in *S. W. Tel. Co.* v. *Pub. Serv. Comm.*, 262 U. S. 276, 289–312, the adoption of prudent investment as the rate base, was able to concur in the result reached in that case by the majority, and also with the result reached in *Bluefield Co.* v. *Pub. Serv. Comm.*, 262 U. S. 679; and from the fact that Justice Holmes, who concurred in the opinion of Justice Brandeis in *S. W. Tel. Co.* v. *Pub. Serv. Comm.*, *supra*, was able to concur in the result reached in *McCardle* v. *Indianapolis Water Co.*, *supra*.*

* In Cohens v. Virginia, 6 Wheat. 264, 399, Chief Justice Marshall said:
"It is a maxim not to be disregarded that general expressions, in every opinion, are to be taken in connection with the case in which those expressions are used. If they go beyond the case, they may be respected, but ought not to control the judgment in a subsequent suit when the very point is presented for decision."

In the escape from the confusion of *Smyth* v. *Ames* the aim of the railroads and utilities is to establish current cost of reproduction of structures plus so-called present value of land minus deferred maintenance as the minimum rate base in all cases. The report here gives our reasons for believing that such a rate base would be nothing short of a public calamity; that it would at the present time be grossly unjust to the public served by the railroads; that it is likely at some future time to be equally unjust to those who have invested their savings in the railroads; that it is without foundation in sound reason; and that it is deficient in both stability and practicability. These reasons are fortified by our observation and experience in Federal regulation of carriers, and in the case of three of those who join in the decision, also by prior observation and experience in State regulation of both railroads and utilities. It is worthy of note that the only dissenting commissioner who has had such experience in State regulation agrees with the majority in their statement of the disastrous economic consquences which are likely to flow from acceptance of the current cost of reproduction doctrine. The report further indicates a method of determining "fair value for rate-making purposes," or rate base, which will produce results just both to users of and to investors in the railroad properties.

I digress at this point to express a firm conviction that acceptance of the current cost of reproduction doctrine would in its ultimate results be disastrous to private operation of railroads and public utilities, not only in periods of low prices but in high-price periods as well. In support of this conviction I quote from a unanimous report recently made by the Department of Public Utilities of Massachusetts to the General Court of that Commonwealth:

> If, under our present statutes, it shall be determined by the United States Supreme Court that the gas and electric companies of this State are entitled, as a matter of law, to charge rates based upon the fair value of their property employed in the public service, and that in ascertaining such value the value of the plant and of the structures and equipment in or upon the public highway is to be taken at the reproduction cost less the then actual depreciation, and that the findings of fact in relation to these values are subject to review in each instance by the Federal court, we are confident that the people of this State will conclude that the regulation of the rates of the gas and electric companies under such conditions is too cumbersome, inefficient and expensive to be tolerated. Such a method of regulating rates will inevitably lead to conflicts between the companies and the public, to the disadvantage of both.
>
> * * * * * * *
>
> Public ownership and operation of electric plants is not an untried experiment in this Commonwealth. There are at the present time over 40 municipal plants in successful operation. In most of the municipalities where these plants are in operation the rates for electricity are lower than the rates of private companies operating in adjacent territory.

In the case of publicly owned utilities not a cent has or will be added to the public burden from past investment by reason of the increase in general price level. In the case of privately owned railroads and utilities the current cost of reproduction doctrine would probably increase the public burden by upwards of $30,000,000,000.

The conclusions of the majority herein are founded upon the principle that no person will be deprived of property rights without due process of law, if the railroads are allowed full opportunity to earn upon a maximum estimate of the money invested in their existing properties such return as will attract further investment of capital. Another way of expressing the same principle is that it is just to all concerned that the price for railroad service in the aggregate should be based upon its fair cost, including such cost as is involved in securing the capital necessary for both the establishment and the continuance and extension of the service. My only objection to the report is that it does not in all respects follow this principle consistently, as I shall attempt a little later on to show.

Cost-of-reproductionists are apparently relying more and more in defense of their doctrine upon the depreciated dollar. The theory is that the rise in prices has come about largely from decrease in the purchasing power of the dollar, and that if the return in dollars which railroad investors receive is not allowed to increase in proportion to this reduced purchasing power there will be a corresponding loss in real, as contrasted with nominal, return. The current cost of reproduction doctrine is urged as an automatic means of adjusting the return to gold dollar purchasing power.

An incidental weakness of this theory is that changes in cost of reproduction of railroad structures as compared with original cost may and do take place without regard to the general purchasing power of the dollar. In other words, reproduction cost changes, because of this fact, are by no means an accurate index of dollar-value changes. Still less are changes in land values such an index.

A more important weakness of the theory is that no proof whatever has been proffered that the returns of investors in competitive private enterprises not subject to public regulation tend to vary in dollars in ratio with the dollar's purchasing power. Leaving out of consideration for the moment investments in securities which are subject to a maximum rate of return, what proof has or can be supplied that dividends upon common stock tend to change in rate and amount in proportion to changes in gold dollar purchasing power? The fact is that investors as a group, like various other groups in the community, in general suffer loss with the depreciation of the dollar and gain with its appreciation. That is one of the risks of investment. Why, then, should the government single out one class of investors for special treatment?

But there is an even stronger objection to the use of current cost of reproduction as a means of compensating for the decline in dollar purchasing power. As the report herein indicates, two-thirds of the railroad securities outstanding bear a fixed or maximum rate of return, and their holders could in no way benefit from a swollen rate base. Not only would all the benefit accrue threefold to the common stockholders, but they would retain in full measure the advantage of the opportunity to pay the indebtedness of their companies in depreciated dollars. The results would so conflict with principles of justice as to border on the ludicrous.

The place to make allowance for the depreciated gold dollar, if it can be shown that justice requires an allowance, is clearly in the rate of return rather than in the rate base. Adjustments in the rate base on this account, particularly when cost of reproduction and so-called present value of land are used as the measures, are intricate undertakings involving costly research and prolonged judicial proceedings, and in the end the gains or losses are distributed wholly without regard to justice and equity. On the other hand, such adjustments in rate of return as may be necessary to attract capital, for that is the real test and the one which section 15a very properly prescribes, may be made with far less expense and difficulty; and in determining what they shall be full weight may be given to the fact that two-thirds of the outstanding railroad securities are bonds or preferred stock upon which no more than a certain maximum rate of return can in any event be paid.

A novel argument which only recently has been brought to the defense of the current cost of reproduction doctrine is this: It is urged that if a new railroad were built, its cost would be governed by the current price level, and it would be necessary, if it were to succeed, to earn a fair return upon such cost. In all probability, however, it would compete for much traffic with existing railroads, and if these competitors were held down to rates which would permit a fair return only upon an original investment materially lower than the current cost of reproduction, the new railroad could not meet this competition without sacrifice of a fair return upon its own investment. From this train of reasoning the conclusion is reached that new railroad construction will be discouraged and prevented unless the current cost of reproduction doctrine is adopted.

It will be noted that this argument is founded not upon justice but upon expediency. It may, therefore, be answered in like vein. As a practical matter, in view of the present tendency toward railroad consolidation, it is extremely probable that from now on most important new lines of railroad will be built as extensions of exist-

ing systems. Our experience since the enactment of the transportation act, 1920, tends to confirm this prediction. Where they are not so built, our power to regulate divisions of joint rates will offer a substantial measure of protection.

But let us assume that the argument is founded upon a real and not an imaginary danger that new railroad construction may be stifled. As a matter of expediency, that being all that is involved, it would in that event clearly pay the Nation to donate to any proposed new railroad an amount sufficient to offset the disadvantage of high present construction costs, rather than to increase the transportation burden upon the entire country by billions of dollars.

The deduction for depreciation is a matter which, perhaps, merits comment supplementing the discussion in the report. To the extent that depreciation has occurred, from whatever cause, property ceases to exist. This loss of property may not for some time interfere with the efficient operation of the units in which it has occurred, any more than the gradual wearing away of a lead pencil prevents its efficient use. The effect is cumulative up to a time of maturity when the unit must be retired. Nevertheless the loss is real and the owners of the property are entitled to reimbursement by charging the loss to operating expense, just as the gradual consumption of the coal pile is charged to operating expense. Whatever basis of valuation be used, in strict theory property which has thus ceased to exist ought not to be included in the inventory.

Doubt may arise as to the equity of such a deduction if the carrier has not enjoyed sufficient income to permit of reimbursement through charges to operating expense and also the earning of a fair return. This, however, is but one aspect of the general question of equity which arises where a carrier for one reason or another, not chargeable to its own bad management, has lacked adequate income in the past. In such cases I believe that the carrier ought fairly to be given opportunity to earn a larger return for the future than would otherwise be reasonable, until there has been compensation for the deficiency in past earnings. The appropriate and logical way to do this is by permitting an increase in the rate of return. It is a method for which no adequate provision is made in section 15a, but the provisions of that section can at any time be changed by Congress, and doubtless would be changed if good reason were shown. The carriers have not sought a change, the fact being that if their present contentions with respect to valuation are sustained the recapture provisions will cease to be of practical consequence.

In this case, however, no doubt as to equity arises. The deduction for depreciation appears to be approximately $216,000. On June 30, 1919, the O'Fallon, which for some years past has paid dividends

which in average have been generous, had a depreciation reserve of $156,204.63 as evidence of the fact that it had been reimbursed to that extent by charges to operating expense for property lost through depreciation. This reserve applied to equipment alone. There was no specific depreciation reserve for fixed property, but ample means for reimbursement of losses incurred through depreciation of such property existed in a corporate surplus of $289,637.81. On December 31, 1923, the depreciation reserve for equipment had grown to $214,354.39 and the corporate surplus to $745,000.69. As a matter of fact, an inadequate deduction for depreciation has probably been made in this case.

Lest there be any possible impression that the O'Fallon has been treated harshly in this proceeding, it may be well to indicate what the carrier will have left in the way of income following the recapture for which we have provided. The table below shows for the three full-year recapture periods the net railway operating income which will remain after recapture and the per cent relation of this remaining income to the amount found to be the fair value of the property:

| Year | Remaining income | Per cent on fair value |
|---|---|---|
| [illegible] | $117,624.17 | 12.44 |
| [illegible] | 111,927.96 | 11.43 |
| [illegible] | 113,699.37 | 11.64 |

Bear in mind that the fair value represents a maximum estimate of every dollar that has gone into the property less a probably inadequate deduction for depreciation. The remaining income in each of these years, as shown in the above table, would have permitted, after the accumulation of the reserve fund provided for in section 15a, the payment of interest on all indebtedness and the declaration of dividends on the outstanding stock of 24 per cent in 1921, 21 per cent in 1922, and 23 per cent in 1923. Of the $410,000 of stock outstanding, $200,000 represents the equivalent of a stock dividend declared in 1917. Is this confiscation?

I come now to the points in which I differ with the discussion in the report. As I have stated in the *San Pedro case* and other valuation proceedings, I am wholly persuaded that the best and fairest rate base or "value for rate-making purposes," as well as the simplest and most practicable, is the honest and prudent investment in existing property. So far as structures are concerned, the report in this case adopts much the same principle. The basic value, as of June 30,

1919, is arrived at by estimating cost of reproduction new at 1914 unit prices, allowing for the actual cost of property installed after June 30, 1914, at higher unit prices, deducting a minimum estimate of accrued depreciation, and then adding so-called present value of lands and an allowance for working capital. This method in all probability produces an amount greater than the honest and prudent investment in the property in actual existence on June 30, 1919. In view of the fact that the trend of the price level was on the whole continually upward from about 1896 to 1920, I am not convinced that the use of 1914 unit prices in estimating cost of reproduction will produce a result approximating the reasonable money outlay in the property where much of it was constructed or installed long before 1914. It has seemed to me both preferable and feasible, where records of actual costs are not available, to estimate what the property should reasonably have cost, taking into consideration the dates when the various units came into existence. See *Petition of National Conference on Valuation*, 84 I. C. C. 9, 20-21.

More important, however, is the use of "present value" of lands. Here the report departs from the principle followed in the case of structures and uses, in constructing the rate base, not the actual or approximate money outlay in the lands, but an amount based on the current market value of adjacent lands. Here the consequences of this deviation from principle are not important; but in other cases they may be of vital importance, particularly where railroads have extensive land holdings in the heart of great cities. In the *San Pedro case* I discussed this question at length, and it is unnecessary to repeat all that was there said. Suffice it to say that there has never been any proof that if a carrier were able to sell the land which it uses for railroad purposes, it could command prices approaching the values which adjoining land enjoys with the railroad in operation. In most cases it is clear that it could not. But even if it could, under what theory does a carrier substituting for the State in the operation of a public highway become constitutionally entitled to unearned increment? I quote this single passage from my opinion in the *San Pedro case*:

> Under the carriers' theory, a community gains nothing from the fact that a railroad was built in due season under economical conditions, but must pay the same rates as if it were a newly constructed railroad which has smashed its way through the costly barrier of improved city real estate. Applied to public streets such a theory would be regarded as a mental aberration. Is it any less unsound when applied to a public highway owned and operated by a private corporation as the agent of the State?

The land-values doctrine followed in this case apparently means that when land has been donated by the State or by individuals to a

railroad in aid of construction, the carrier from the moment it begins operation is entitled to exact from the public served a full return upon the value of that land based on the then market value of adjoining lands.

I am unwilling to believe that the Constitution is an instrument of public oppression.

One word in conclusion. While not strictly pertinent to this particular case, it is pertinent to the general valuation problem to remark that if public regulation of privately owned railroads and utilities is to be put upon a sound basis, means must be found whereby the burden upon the public of overhead capital charges on account of these properties can, when opportunity offers, be reduced. The railroad property of this country, under even the method of determining fair value for rate-making purposes which has been followed in this case, probably represents upward of $20,000,000,000 upon which the people of this country must pay the equivalent of interest. If this were indebtedness of the Government, without doubt steps would be taken to reduce it, particularly in times of national prosperity, and this could be done without serious increase in burden. An illustration which I have often used is that of the subways of Boston, which are owned by the city. They are leased to the operating company for a yearly rental of 4½ per cent, which is sufficient to meet the interest on the city's indebtedness and at the same time to provide a sinking fund which in due course will retire the debt, so that there will no longer be any interest charges whatever to pay. Already this sinking fund amounts to several millions of dollars. But in the case of the railroads there is now no means by which the capital burden can be reduced a single penny. The public could provide funds sufficient to pay off the entire railroad indebtedness and still the obligation to pay a return upon at least the total original investment would remain. This is an anomalous and disturbing situation and one which, as I see it, is utterly opposed to the principles of sound economy.

*Commissioner* McMANAMY joins in this expression.

HALL, *Commissioner*, dissenting:

I am authorized by *Commissioners* AITCHISON, WOODLOCK, and TAYLOR to state that they join with me in the following expression of dissent:

At the risk of appearing to lack vision we venture the reminder that the function of this commission is not to act as an arbiter in economics, but as an agency of Congress, to apply the law of the land to facts developed of record in matters committed by Congress to our jurisdiction. We may, indeed, in our annual reports to that

body recommend needed changes in legislation, but we may not make those changes ourselves. This dissent is from the refusal of the majority to apply that law to the O'Fallon.

In order to determine the value of the O'Fallon property devoted to carrier service during the recapture periods, 10 months in the year 1920 and the years 1921, 1922, and 1923, we start with a valuation or inventory date of June 30, 1919. The units in existence on that date are known. Original cost of the entire property can not be ascertained. As to the man-made units we estimate the cost of reproducing them in their condition on that date and in so doing apply to the units installed prior to June 30, 1914, the unit prices of 1914, representing a fairly consistent price level for the preceding 5 or 10 years. To like units, installed after June 30, 1914, and prior to June 30, 1919, we apply the same prices, but add a sum representing price increases on those units during that period. For the third period, from June 30, 1919, down to each recapture date, we abandon estimate and turn to recorded net cost of additions less retirements. On this composite, made up of estimated value for two periods and ascertained net cost for the third period, the majority base a conclusion as to value at recapture date of the man-made items. Land goes in at its current value as measured by that of neighboring lands.

Without summarizing the other processes, all clearly stated in the majority report, it will be observed that the rate-making value arrived at for the successive recapture periods, as for example the year 1923, rests upon 1923 market value of lands; costs of other property installed since June 30, 1919; unit prices of 1914, enhanced by allowance for increased cost of units installed during June 30, 1914–1919; and, for the units installed prior to June 30, 1914, constituting by far the major part of the property, unit prices of 1914 without any enhancement whatever. As to this major part of the carrier's property devoted to carrier purposes in 1923 no consideration is given to costs and prices then obtaining or to increase therein since 1914.

The issue presented is, as stated, of profound importance in its effect upon the public welfare and policy. In essence the problem is not novel and frequently has been passed upon by commissions and courts. The only real difficulty or obscurity is as to the value of the property. All other questions are either ministerial in their nature or present simple issues of fact. The determination of value in cases involving the returns from rates has been before commissions and courts almost continually for nearly 30 years and the consensus of authority has evolved certain principles, now well understood, even if many others remain unsettled and uncertain. Among these certain and established principles are (1) that the value is to be ascer-

tained as of the time of the inquiry, and (2) that proper consideration must be given to all relevant facts, including the enhancement of material and labor costs of property as compared with past values or costs.

Nor is there a differentiation in the application of these principles of law between those carriers which fall in the classes embraced in sections 15a and 19a of the act, and what the report terms local utilities. At least one of the utilities considered by the Supreme Court in the recent cases in which the above principles were clearly stated, was in fact a carrier subject to the provisions of section 19a of the act, and which we are valuing under that section. If we are to follow the decisions of the Supreme Court as to telephone companies engaged in an interstate business, it is difficult to find and import any legal warrant in the same act for applying a totally inconsistent basis for other carriers, such as railroads. The Supreme Court has made no such distinction. The leading case on valuation of public service properties, *Smyth* v. *Ames*, 169 U. S. 466, involved only a railroad; and the principles above enunciated, which the majority refuse to follow, have been applied by that court and generally by other courts and commissions to all classes of property charged with a public interest, without distinction, whenever rates have been brought in issue. Principles so generally applied are not to be distinguished so simply as is done by calling some of the utilities involved local. The Supreme Court in *Dayton-Goose Creek Ry.* v. *U. S.*, 263 U. S. 456, sustained the constitutionality of the recapture provisions under which we here act, but neither said nor intimated that in making valuations for recapture purposes we could ignore elements which it has recognized uniformly as essential.

The methods here pursued in determining the value of lands accord with that court's decision in the *Minnesota Rate Cases*, 230 U. S. 352, but, in determining the value of the major part of the other property used by the O'Fallon for carrier purposes, and thus in determining total value, the majority decline to give consideration, in a legal sense, to enhanced costs. In *Smyth* v. *Ames*, *supra*, the Supreme Court, in speaking of the elements to be considered in determining the value of property used in serving the general public, stated that consideration should be given to "present as compared with the original cost of construction." In the *Minnesota Rate Cases*, *supra*, the principles of valuation announced in the *Smyth* case were set forth and reaffirmed. The principal reason given by the Supreme Court for reversing the lower court in *S. W. Tel. Co.* v. *Pub. Serv. Comm.*, 262 U. S. 276, 287, was that the lower court failed to accord "any weight to the greatly enhanced costs of materials, labor, supplies, etc., over those prevailing in 1913, 1914, and 1916." These cases had to do with railroads and a telephone company, common

carriers of a type made subject to our jurisdiction. *Bluefield Waterworks & Imp. Co.* v. *Public Service Comm. of West Virginia*, 262 U. S. 679, illustrates the essential character of such consideration in the case of public utilities not subject to our jurisdiction. From first to last, from *Smyth* v. *Ames*, *supra*, decided in 1898, to *McCardle* v. *Indianapolis Water Co.*, — U. S. —, decided November 22, 1926, "the present as compared with the original cost of construction" has been named, continuously and consistently, in varying forms of expression, as among the relevant facts to all of which proper consideration must be given and to each of which such weight is to be given as may be just and right in each case. The more recent decisions of the Supreme Court seem to require that, as to previously constructed property devoted to public service, the enhanced-cost basis should be given an effectual weight. The principles involved, and the cases which enunciate and discuss them, are familiar, and no useful purpose would be served by detailed analysis.

It follows that, under the law of the land, in determining the value of the O'Fallon for any of the purposes contemplated by either section 19a or section 15a, the valuation and the recapture provisions of the act which we administer, we must accord weight in the legal sense to the greatly enhanced costs of material, labor, and supplies during the periods of inquiry, here the recapture years, over those prevailing in the pricing period. The majority in according no weight to such evidence disregard highly relevant facts, established by competent testimony and undisputed. They offer no justification except a forecast of unfavorable economic results, an exposition of better results to be anticipated from safeguarding the amount prudently invested in the property rather than the value of the property itself, and a doubt whether the courts, when called upon to construe the valuation and recapture provisions of the interstate commerce act, would still apply the principles of valuation enunciated by the Supreme Court in cases which did not arise under that statute. The election made by the majority is deliberate. They say, "What we do in this case we must in principle do for all the railroads in the United States."

They say this, although our valuation reports, in which final values of property other than land were determined as of one and the same date, June 30, 1914, have indicated that when we came to make use of these values corrective factors would be applied, "as by law required," *Winston-Salem Southbound Railway Co.*, 73 I. C. C. 187, 192, to the 1914 unit prices, so that all parts of the property, land and other, might be kept upon a comparable basis. These corrective factors were to be applied "as the normal trend of prices of labor and material may go upward or downward." *Win-*

*don-Salem Southbound Railway Co., supra.* Expressions to like effect [1] appear in the "statement of methods" incorporated as appendix 3 in our first valuation report, *Texas Midland Railroad*, 75 I. C. C. 1, 139–140, decided July 31, 1918, and incorporated by reference in subsequent valuation reports. Since June 12, 1925, our valuation reports have also contained the statement [2] then made in *Manistique & Lake Superior R. R. Co.*, 97 I. C. C. 382, 386, that the discrepancy between 1914 unit prices of carrier structures and values on valuation date of carrier lands will be removed when we adjust to later dates, in accordance with the requirements of the valuation act, the final values therein reported. The values of common-carrier lands have in all cases been based upon the fair average of the normal market value of neighboring lands on the date of valuation, and it was anticipated that all values, land and other, would be brought to a comparable basis as of the date of use, in this case a recapture date, e. g., 1923. While such was the expectation, it was not premised, nor is it to be taken as understood from this expression, that values as of later dates would necessarily reflect in full enhanced costs as shown in subsequent reproduction estimates, but rather that such facts, in connection with all other relevant facts, would then be given due consideration.

The use, as a common starting point, of 1914 unit prices in arriving at 1914 reproduction cost of carrier structures then in service is not here challenged. The dissent is from the use made of them in determining value in 1923 without application of corrective factors or cure of recognized discrepancies in the adjustment of values which we should now make to the later date, the date of inquiry or recapture. In this the departure by the majority from our hitherto-declared purpose is unmistakable. If the majority, while developing with manifest earnestness and sincerity the reasons by which they are persuaded, had nevertheless recognized the constraint of the law thus far declared and reached conclusions in harmony with it, nothing would have been lost in the presentation, and where we were in error the Supreme Court could have set us right. If the

[1] "Our inventories are taken as of different dates, but all prices are applied as of June 30, 1914. * * * The railroads of this country are competitive. If the costs which are being produced by the application of these prices are to be influential in the fixing of rates, they ought to be upon some common basis. Without attempting to indicate how far changes in prices should affect changes in values, it is manifest that all carriers ought to be, if possible, measured by the same standard. * * * If a uniform price is applied, that price can be varied by appropriate factors or otherwise as justice may require."

[2] "The estimates of cost of reproduction covered by this report are based upon what is referred to herein as the 1914 level of prices, while the present values of the common carrier lands covered by the report are based upon the fair average of the normal market value of lands adjoining and adjacent to the rights of way, yards, and terminals of the carrier, as of valuation date. This discrepancy will be removed when the commission adjusts to later dates, in accordance with the requirements of the valuation act, the final value herein reported."

law needs change, let those who made it change it. Our duty is to apply the law as it stands.

It will be seen that the divergence between the majority and the minority as to our authority under the law is basic. Other matters of moment are reserved for individual expression.

ATTCHISON, *Commissioner*, dissenting:

I desire to add a few words to the foregoing expression. In much that is stated by the majority as to the effect of the valuation rule contended for by the carriers, I unreservedly concur; and my dissent as expressed by Commissioner HALL on purely legal grounds does not indicate nonconcurrence as to these other important considerations, chiefly economic in their character, so forcefully discussed by the majority. Indeed, as an utterance of mine to the effect that any consideration of value which ignored the original cost of the property was not only legally unsound but was fraught with grave danger to the country was quoted by a committee of the Senate of the United States in its report upon the very bill which became section 19a of the act (62d Cong., 3d sess., Rept. No. 1290, p. 6), it is not inappropriate to add that my personal opinion in this regard has in no wise changed. But this is not the appropriate place to discuss the economic and political results of the enforcement of a rule laid down by the Supreme Court. Our present duty is to ascertain the rule of law and to enforce it. If we anticipate grave results will follow, our responsibility will be fully met if we suggest to the Congress, under our statutory powers to recommend new legislation to that body, the enactment of a rule for rate making under the commerce clause which will have no such unfavorable effects.

WOODLOCK, *Commissioner*, dissenting:

I think it desirable to advert briefly to certain matters in the majority report, in addition to those dealt with by Commissioner HALL, in whose expression I have concurred. With the majority's main arguments of an economic nature I am in fundamental disagreement. The contention that stability of the investment in railroad property is best attainable by irrevocably linking that investment to the dollar seems to me to be, on its face, quite untenable. The dollar is valuable only because of the commodities that it will buy. Its purchasing power is notoriously characterized by great and continuous instability. The investment theory of value urged by the majority equates railroad property with the dollar. The principle of valuation expressed in the decisions of the Supreme Court equates railroad property with all other forms of property. This is the only real and effective stabilization. For the majority's theory

to produce effective stabilization of railroad property it would be necessary, first, to stabilize the dollar. Who is there who does not know that his dollar to-day buys him a good deal less of food, fuel, clothing, and shelter than it did in 1914? This it is which constitutes what I must call the basic unfairness of the majority's proposal to stamp the greater part of railroad property in existence to-day with the dollar relation of 1914, thus saddling perpetually upon the owners of that property the loss inherent in the depreciation of the dollar since that time. The majority seems to anticipate a stabilization of railroad rates and fares to follow application of the investment theory of value to railroad property. Railroad earnings, railroad material, and railroad taxes can not be linked to the dollar; they will change as dollar prices change. It was not a question of railroad property values which brought about the rate changes following 1914, and similar rate adjustments will be necessary when and as similar dollar price changes occur in the future. Real stability in a rate level—which is a dollar relation—can only be achieved through real stabilization of labor and material costs, and for this the dollar must first be stabilized. Furthermore, it seems to me that if any conclusion may fairly be drawn from the fact that capital has been supplied to the railroad industry by investors in the years following 1920, it is the conclusion that in supplying it investors have relied upon the terms of the law, the statements of this commission, and the decisions of the Supreme Court, all of which are now summarily set aside by the majority.

In one respect, however, I can agree with the majority's view of the practical goal of regulation. It is contained in the following passage in the report, the last sentence of which I have italicized:

> Paragraph (3) of section 15a directs us to determine from time to time and make public "what percentage of such aggregate property value constitutes a fair return thereon," and it is definitely and specifically provided that in making such determination we "shall give due consideration, among other things, to the transportation needs of the country and the necessity (under honest, efficient, and economical management of existing transportation facilities) of enlarging such facilities in order to provide the people of the United States with adequate transportation." *Whatever the rate base, we are enjoined and required to so adjust the "fair return" that investment in railroad facilities will be encouraged and promoted and the companies maintained in good credit.*

The foregoing statement correctly interprets the true principle of rate regulation for public utility corporations. In making it, however, it seems to me that the majority surrenders its case and destroys at one stroke the main arguments by which it attempts to support that case. The main purpose of regulation of public utility enterprises is to supply to the public that protection in the matter of rates, fares, and service which is supplied in the case of freely

competitive—and, therefore, unregulated—enterprises by the force and play of competition. In fully competitive enterprises the rate of return tends at all times to circle around the point where it will just suffice to attract capital into the industry when and as needed. This being so, it follows that railroad rates and fares should, under regulation, be so adjusted that the return offered will tend to be *high enough* to attract the investor's capital—and *no higher*. If it be true—and it is true—that value and fair return must be so reciprocally adjusted as to attract capital to the railroad industry, as it is needed, and that rates and fares are to be made just high enough to produce that result, and no higher, why can not that adjustment be made with values found as the Supreme Court indicates that they should be found? The majority lays stress upon the difficulty and inconvenience of ascertaining values according to that method and upon the simplicity and ease of application of the method which it advocates. A thing is not impossible merely because it is difficult, nor is the easiest way necessarily the right way; and if, by the legal method of valuation, value and rate of return can be so reciprocally adjusted as to produce the result described correctly by the majority as the goal of regulation, what becomes of the majority's lurid picture of the distressing consequences which it thinks are inherent in the application of the valuation principles declared by the Supreme Court as the law of the land?

TAYLOR, *Commissioner*, dissenting:

I wish to add a separate expression on certain points not touched upon in the common dissent in which I have concurred.

I disagree with the conclusions of the majority that the St. Louis & O'Fallon Railway Company and the Manufacturers' Railway Company were not under common control and management within the meaning of paragraph (6) of section 15a. The record shows beyond controversy that the funds necessary to acquire ownership of the St. Louis & O'Fallon Railway Company and the Manufacturers' Railway Company flowed from the same source and that complete control of both companies, always inseparably connected with ownership, resided with the same interests. It seems to me both unjust and unreasonable that two dollars coming out of the same pocket to be invested in like business, one dollar on one side of the Mississippi River and one dollar directly on the other side, should be so treated that the excess earnings of one of these units of value should not be permitted to offset the deficit in the earnings of the other.

Common control and management, as contemplated by the act, are also made apparent by the fact that all of the general officers, general

office employees, and operating officials of both companies were the same. Repair shops on the two lines were used in common, although the cost of the work was distributed separately and not jointly. Both companies operated engines and handled traffic between each other over the intervening tracks of the Terminal Railroad Association of St. Louis, which constituted a bridge between all East St. Louis and St. Louis lines, and which were subject to their joint use—an important factor in determining whether the two properties were being operated as a single system.

The theory upon which consolidations of railroad properties are permitted, under the transportation act, is that in this way an adequate system of transportation for the entire country can best be created. We are directed to see that this shall be done, "so that these systems can employ uniform rates in the movement of competitive traffic and under efficient management earn substantially the same rate of return upon the value of their respective railway properties." Under this mandate, it seems inconsistent and illegal for us to lay the foundation for the recapture of surplus funds from one of these carriers, without permitting their use in the support of a weak member of the same family, owned by the same interests, and operated as part of the same transportation system.

An additional reason why I dissent from the opinion of the majority as to the basis of the valuation which it has determined, is because it is also to be used as a measure for the charge the carrier will be permitted to make for the transportation of passengers and freight now and in the future. The law permits that the income which these carriers can lawfully earn shall be sufficient to properly bear the burdens of an adequate system of transportation and a fair return upon the investment. We have no power to limit to the scale of the year 1914 either the current cost of maintenance of these properties or of the transportation of their traffic, which include both labor and material; nor can we reduce the measure of the tax levy imposed upon their property for the recapture period back to the basis of the assessment for the year 1914.

The proportion of labor, material, and taxes for all class I railroads of the United States for the last year for which the record is complete amounted to practically 82 per cent of the total disbursements out of operating revenues for these costs and for interest and dividends.

Since the year 1914 the tremendous increase in the cost of labor and material, which form the body of railroad operating expense, and the additions to tax burdens, have made necessary a weighted advance in the rates for transporting passengers and freight, which has been approved by this commission, of approximately 50 per

cent. Without this advance in rates the operation of the railroads of the country could not have continued unless the wage scale and other costs could have been restored to the 1914 basis, which no one can reasonably desire.

An income account of a railroad company should be so adjusted that it can fairly bear the burdens of ownership, as well as operation. As it has been necessary, in the maintenance of an adequate system of transportation, to permit such a large increase in the passenger and freight rates since 1914, necessary to provide for the present-day scale of labor and material included in the operating cost, and the current tax levy, which may be referred to, generally speaking, as the burden of operation, and which represent 82 per cent of the total of these disbursements out of operating revenue, why should we treat in a different manner, or rest upon another basis of value, the 18 per cent of these disbursements out of the same revenue, necessary to bear what may be referred to, generally speaking, as the burden of ownership?

A determination of the value of this property as it exists to-day will not require a further great increase in rates for transportation, because these rates are now adjusted to bear present-day costs of operation and maintenance, and, generally speaking, would need only to be slightly increased to yield 5¾ per cent on present-day cost of reproduction, if that were found to be the fair rate of return under the circumstances. On the other hand, to determine the value of the O'Fallon property upon the 1914 reproduction scale of wages and cost of material would create a basis for depriving the owners of this property, through the recapture provisions of the act, of a fair return upon the current value of their property, now being earned under tariffs approved by this commission as being reasonable and just.

It seems both unreasonable and unjust to arrive at a valuation of the property of these companies upon a cost scale of the year 1914, for the purpose of determining the amount which they should be allowed to earn during the period from March 1, 1920, to December 31, 1923, for which recapture of the excess earnings of the O'Fallon has been ordered. Such a basis is unjust and unreasonable because, during that period, this corporation was required to bear the burden of the cost of both labor and material, as well as taxes, as fixed, not by the scale of wages and material for the year 1914, or of the tax levies of that date, but by these charges, pressing themselves for payment, upon the revenue of the property for the recapture period.

It may be argued that the 1914 scale, if applied to these disbursements, would only have resulted in greater net earnings subject to

recapture; this, however, can not be considered in arriving at a fair measure of value, because the valuation figures now being arrived at must become the basis for determining the rate scale in the lean as well as the fat years, and operating cost must be provided for before any railroad company can have net revenue. It may also follow, after proper determination of the issues in this cause, that there will be no excess earnings subject to recapture.

I would dissent from the opinion of the majority, that construction costs of the year 1914 be used as a basis of value by which to determine the amount of revenue which this company should earn to properly bear the present burden of ownership, if for no other reason, because such a decision would establish a rule of valuation which must apply equally to roads yet to be constructed. It would be unjust and unreasonable for us to say to an applicant asking permission to construct additional miles of railway that, after such construction was completed and operation had begun, the investors furnishing the money would not be permitted to earn an amount sufficient to pay a fair return upon actual, present-day cost, but that the tariff of rates such a company would be permitted to charge for the transportation of passengers and freight must be based upon a value resting upon construction costs as they existed in the distant past. As the decision announces that the basis of valuation which it creates must "do for all the railroads in the United States," it must, of course, apply to new construction as well as to existing railroads, although such a rule may prevent any further railroad building.

This construction of this decision must be correct, because for this commission to later determine that a newly constructed railroad should be permitted to earn a fair return upon its actual present-day cost or value would be entirely inconsistent. We can not have one measure of value for roads constructed in 1927 or after greater than that for roads constructed in a prior period, because it must be self-evident to any person familiar with the facts that a newly constructed road can not be as valuable as a seasoned property similarly located, which, after long years of operation, has adjusted itself to its physical, financial, and traffic environment.

## ORDER

At a Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 15th day of February, A. D. 1927

Finance Docket No. 3908

Excess Income of St. Louis & O'Fallon Railway Company

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Finance Docket No. 4026

Excess Income of Manufacturers' Railway Company

*It appearing*, That in compliance with the provisions of paragraphs (4) to (9), inclusive, of section 15a of the interstate commerce act this commission entered upon an investigation into and concerning the matter of excess net railway operating income of the St. Louis & O'Fallon Railway Company and of the Manufacturers' Railway Company;

*It further appearing*, That a full investigation of the matters and things involved having been had, and this commission having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which report is hereby referred to and made a part hereof;

*It further appearing*, That no amount of excess net railway operating income was received by the said Manufacturers' Railway Company during the periods covered by the investigation, but that the following designated amounts of excess net railway operating income were received by the said St. Louis & O'Fallon Railway Company for the periods stated:

| | |
|---|---|
| Mar. 1 to Dec. 31, 1920, inclusive | $106,755.98 |
| Jan. 1 to Dec. 31, 1921, inclusive | 130,205.13 |
| Jan. 1 to Dec. 31, 1922, inclusive | 105,391.63 |
| Jan. 1 to Dec. 31, 1923, inclusive | 110,409.22 |

*It further appearing*, That under the provisions of paragraph (5) of said section, one-half of such excess net railway operating income is held by the said St. Louis & O'Fallon Railway Company as trustee for the United States; that, under the provisions of paragraph (6) of said section, said one-half of such excess net railway operating income is recoverable by and payable to this commission within the first four months following the close of the period for which the computation is made; and that, to the extent required by the provisions of paragraphs (6) and (8), the remaining one-half of such excess net railway operating income is required to be placed in a reserve fund established and maintained by said St. Louis & O'Fallon Railway Company;

*And it further appearing*, That, on March 28, 1924, this commission, by division 4, announced that interest on amounts of excess net railway operating income payable to the United States under said section would be required at the rate of six per cent per annum, beginning four months after the termination of the period for which the said excess net railway operating income is computed:

*It is ordered*, That the amounts of excess net railway operating income which are held by the said St. Louis & O'Fallon Railway Company as trustee for the United States, under the aforesaid provisions, be paid to this commission in Federal reserve funds, drawn to the order of the Interstate Commerce Commission and transmitted to George B. McGinty, secretary, Washington, D. C., within 90 days from the date hereof, together with interest thereon, as stated below:

With interest from—

| | |
|---|---|
| May 1, 1921 | $53,377.98 |
| May 1, 1922 | 65,102.56 |
| May 1, 1923 | 53,195.51 |
| May 1, 1924 | 55,204.61 |

*It is further ordered*, That the remaining one-half of such excess net railway operating income be placed in a reserve fund, as required by paragraph (6) of said section, as aforesaid.

By the commission.

GEORGE B. MCGINTY,
*Secretary.*

## APPENDIX A

### ORDER

At a Session of the INTERSTATE COMMERCE COMMISSION, Division 4, held at its office in Washington, D. C., on the 16th day of January, A. D. 1922

In the Matter of the Recovery and Payment of Excess Railway Operating Income under the Provisions of Section 15A of the Interstate Commerce Act

The commission having under consideration the provisions of paragraphs (6) and (9) of section 15a of the Interstate Commerce act, reading as follows:

(6) If, under the provisions of this section, any carrier receives for any year a net railway operating income in excess of 6 per centum of the value of the railway property held for and used by it in the service of transportation, one-half of such excess shall be placed in a reserve fund established and maintained by such carrier, and the remaining one-half thereof shall, within

the first four months following the close of the period for which such computation is made, be recoverable by and paid to the commission for the purpose of establishing and maintaining a general railroad contingent fund as hereinafter described. For the purposes of this paragraph the value of the railway property and the net railway operating income of a group of carriers, which the commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole irrespective of the separate ownership and accounting returns of the various parts of such system. In the case of any carrier which has accepted the provisions of section 209 of this amendatory act the provisions of this paragraph shall not be applicable to the income for any period prior to September 1, 1920. The value of such railway property shall be determined by the commission in the manner provided in paragraph (4).

(9) The commission shall prescribe rules and regulations for the determination and recovery of the excess income payable to it under this section, and may require such security and prescribe such reasonable terms and conditions in connection therewith as it may find necessary. The commission shall make proper adjustments to provide for the computation of excess income for a portion of a year, and for a year in which a change in the percentage constituting a fair return or in the value of a carrier's railway property becomes effective.

It is ordered:

1. That the years or parts of years for which net railway operating income and the return represented by such income upon the aggregate value of railway property held for and used in the service of transportation are to be computed shall be the years or parts of years ending on December 31, respectively. In the case of any carrier which accepted the provisions of section 209 of the transportation act, 1920, the first period for which such computations are to be made shall be September 1, 1920, to December 31, 1920, both inclusive. In the case of carriers which did not accept the provisions of said section 209 of the transportation act, 1920, the first period for which such computations are to be made shall be March 1, 1920, to December 31, 1920, both inclusive.

2. That the excess income for the portions of a year ended December 31, 1920, shall be preliminarily fixed as the income in excess of such proportions of 6 per cent on the value of the railway property held for and used in the service of transportation as the net railway operating income for the months of September to December, both inclusive, or for the months of March to December, both inclusive, as the case may be, in the three years ended June 30, 1917, bears to the total net railway operating income for the same three years.

3. The aggregate value of the railway property of the reporting carrier or carriers held for and used in the service of transportation shall be based preliminarily, in the case of carriers which made such returns directly or indirectly, upon the amount reported or used by such carrier or carriers as the aggregate value of railway property held for and used by them in the service of transportation in the proceeding entitled "In the matter of the applications of carriers in official, southern, and western classification territories for authority to increase rates," Docket No. Ex Parte 74, with adjustments for—

(a) New lines, extensions and additions, and betterments;

(b) Retirements;

(c) Amounts of property for which permission to retain earnings under paragraph (18) of section 15a of the interstate commerce act has been granted; and

(d) Other increases or decreases, properly affecting the aggregate value of the railway property of such carriers held for and used in the service of transportation, claimed or reported by the carrier and supported by detailed explanations. The value of such railway property, as reported, will be corrected and the actual value will be determined in the manner provided in paragraph (4) of section 15a of the interstate commerce act, and corresponding adjustments in amounts recoverable by and payable to the commission will be effected. In the case of those carriers which did not directly or indirectly make returns and in connection with Ex Parte 74, the investment in road and equipment as of December 31, 1919, with proper adjustments as herein above indicated will be used for preliminary computations, and these preliminary computations will be similarly corrected after the determination of actual values in accordance with paragraph (4) of section 15a of the interstate commerce act.

4. The establishment of preliminary bases for prorating the return of 6 per cent, or ascertaining property values to which the rate is applicable, does not preclude any carrier from using such other bases as it considers more equitable and in accord with the facts; such other bases, however, must be fully and properly supported.

*It is further ordered*, That pursuant to the foregoing rules and regulations for the determination and recovery of the excess income payable under section 15a of the interstate commerce act each and every carrier by railroad, or partly by railroad and partly by water, within the continental United States, subject to the provisions of the interstate commerce act, excluding—

(a) Sleeping car companies and express companies;

(b) Street or suburban electric railways unless operated as a part of a general steam-railroad system of transportation;

(c) Interurban electric railways unless operated as a part of a general steam-railroad system of transportation or engaged in the general transportation of freight; and

(d) Any belt-line railroad, terminal-switching railroad, or other terminal facility, owned exclusively and maintained, operated, and controlled by any State or political subdivision thereof, shall on or before February 1, 1922, report to the secretary of the Interstate Commerce Commission, Washington, D. C., the following matters:

1. The amount by which its net railway operating income for the period ended December 31, 1920, was in excess of that percentage of the value of railway property held for and used by it in the service of transportation, established by the foregoing rules, with explanation and details of the manner in which such excess income was computed, or, in the event there was no such excess railway operating income, that fact, with corresponding calculations and details in support of the return.

2. In cases where excess net railway operating income is reported, a statement of the title of the fund account in which one-half of such excess was placed, when such reserve fund was established, the amount placed in that fund, and how the assets in that fund are represented or held.

3. The amount of the remaining one-half of the excess income as preliminarily computed paid to the Interstate Commerce Commission and when and how such amount was paid. If unpaid the amount should be paid by remittance to or draft in favor of the Interstate Commerce Commission, transmitted to George B. McGinty, secretary of the Interstate Commerce Commission, Washington, D. C.

4. The value of the railway property of the reporting carrier or carriers with a statement in detail of the manner in which such value is arrived at and a full explanation as to the method in which the values of properties of a group of carriers have been aggregated in cases where property values and income are computed for a system pursuant to the provisions of paragraph (6) of section 15a of the interstate commerce act. In such cases a full explanation should be given of the reasons why the group of carriers used are treated as under common control, management, and operation.

*It is further ordered*, That an original report and three copies of the same shall be forwarded to George B. McGinty, secretary Interstate Commerce Commission, Washington, D. C. Reports shall be prepared in typewritten or printed form, on paper approximately 8½ by 11 inches, with 1½ inches margin at the left side for binding, except as to exhibits, which may be of any convenient size, but which shall be folded to conform to the size of the report.

*It is further ordered*, That the original reports shall be under oath, signed and filed on behalf of the carrier by its president, a vice president, auditor, comptroller, or other executive officer having knowledge of the matters therein set forth and duly designated for that purpose by the carrier.

By the commission, division 4.

(SEAL.)

GEORGE B. MCGINTY, *Secretary*.

124 I. C. C.

[fols. 117-120 & 121] Summons and marshal's returns omitted in printing.

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[fol. 122] IN UNITED STATES DISTRICT COURT

MINUTE ENTRY OF FILING OF ANSWER OF I. C. C.—May 31, 1927

Now on this day comes defendant, Interstate Commerce Commission in the above entitled cause and files herein its separate answer to the bill of complaint of plaintiffs.

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[fols. 123-125] IN UNITED STATES DISTRICT COURT

ANSWER OF INTERSTATE COMMERCE COMMISSION—Filed May 31, 1927

The Interstate Commerce Commission, one of the defendants in the above-entitled suit, hereinafter called the Commission, now and at all times hereafter saving and reserving to itself all and all manner of benefit and advantage of exception to the many errors and insufficiencies in the petitioners' petition contained, for answer thereunto, or unto so much or such parts thereof as it is advised that it is material for it to answer, answers and says:

I

Answering Paragraphs 1 to 4, inclusive, of the petition, the Commission admits that the allegations therein contained are true.

[fol. 126] II

Answering Paragraphs 5 and 6 of the petition, the Commission admits that the allegations therein concerning provisions of sections 15a, 13, 14, 16 and 10, of the Interstate Commerce Act, are substantially correct, but, for full, complete and accurate information in this connection, the Commission refers the court to the sections mentioned.

4. The value of the railway property of the reporting carrier or carriers with a statement in detail of the manner in which such value is arrived at and a full explanation as to the method in which the values of properties of a group of carriers have been aggregated in cases where property values and income are computed for a system pursuant to the provisions of paragraph (6) of section 15a of the interstate commerce act. In such cases a full explanation should be given of the reasons why the group of carriers used are treated as under common control, management, and operation.

*It is further ordered*, That an original report and three copies of the same shall be forwarded to George B. McGinty, secretary Interstate Commerce Commission, Washington, D. C. Reports shall be prepared in typewritten or printed form, on paper approximately 8½ by 11 inches, with 1½ inches margin at the left side for binding, except as to exhibits, which may be of any convenient size, but which shall be folded to conform to the size of the report.

*It is further ordered*, That the original reports shall be under oath, signed and filed on behalf of the carrier by its president, a vice president, auditor, comptroller, or other executive officer having knowledge of the matters therein set forth and duly designated for that purpose by the carrier.

By the commission, division 4.

[SEAL.] GEORGE B. MCGINTY, *Secretary*.

124 I. C. C.

U. S. GOVERNMENT PRINTING OFFICE

[fols. 117-120 & 121] Summons and marshal's returns omitted in printing.

---

[fol. 122] In United States District Court

Minute Entry of Filing of Answer of I. C. C.—May 31, 1927

Now on this day comes defendant, Interstate Commerce Commission in the above entitled cause and files herein its separate answer to the bill of complaint of plaintiffs.

---

[fols. 123-125] In United States District Court

Answer of Interstate Commerce Commission—Filed May 31, 1927

The Interstate Commerce Commission, one of the defendants in the above-entitled suit, hereinafter called the Commission, now and at all times hereafter saving and reserving to itself all and all manner of benefit and advantage of exception to the many errors and insufficiencies in the petitioners' petition contained, for answer thereunto, or unto so much or such parts thereof as it is advised that it is material for it to answer, answers and says:

I

Answering Paragraphs 1 to 4, inclusive, of the petition, the Commission admits that the allegations therein contained are true.

[fol. 126] II

Answering Paragraphs 5 and 6 of the petition, the Commission admits that the allegations therein concerning provisions of sections 15a, 13, 14, 16 and 10, of the Interstate Commerce Act, are substantially correct, but, for full, complete and accurate information in this connection, the Commission refers the court to the sections mentioned.

III

Answering Paragraphs 7 to 31, inclusive, of the petition, the Commission admits and alleges that it made the order, dated February 15, 1927, referred to in paragraph 9, and included in "Exhibit B," which is attached to and made a part of the petition, in proceedings instituted on the Commission's own motion and referred to in paragraph 7, for the purpose of determining the value of the railway property held for and used in the service of transportation by each of the petitioners, and the net railway operating income of each of the petitioners, for and during the periods of time mentioned in said order of February 15, and also for the purpose of determining whether, for said periods or for any of said periods, the petitioners, or either of them, received excess net railway operating income within the meaning of paragraphs (5) and (6) of said section 15a; that in said proceedings the petitioners were, and each of them was, accorded the full hearing provided for in said act; that subsequent to said hearing the Commission made and is- [fol. 127] sued a report, dated February 15, 1927, which is reefrred to in and made a part of said order of February 15; that in said hearing a large volume of testimony and other evidence bearing upon the matters covered by said report and order was submitted to the Commission for consideration, including testimony and evidence submitted on behalf of the petitioners by their counsel; that in said hearing and subsequently, both orally and in briefs filed in said proceedings, questions relating to said matters were fully argued and submitted to the Commission for determination on behalf of the petitioners by their counsel, whereupon the Commission determined said matters and entered and served upon the petitioners said report and order of February 15; that said report and order included the Commission's findings of fact, decision, conclusions, order, and requirements in the premises, and that, upon the evidence aforesaid, and as shown in and by said report, the Commission made the findings and stated the conclusions upon which said order is based.

The Commission further alleges that said report and order were duly served upon the petitioners.

The Commission further alleges that the findings and conclusions in said report were, and are, and that each of them was and is, fully supported and justified by the evidence submitted to the Commission in said proceedings as aforesaid.

The Commission further alleges that, in making said report, it considered and weighed carefully, in the light of [fol. 128] its own knowledge and experience, each fact, circumstance, and condition called to its attention on behalf of the petitioners by their counsel, including matters covered by the allegations of the petition herein.

The Commission further alleges that said order of February 15 was not made or entered either arbitrarily, or unjustly, or contrary to the relevant evidence, or without evidence to support it; that in making said order the Commission did not exceed the authority which had been duly conferred upon it, or exercise that authority in an unreasonable manner; and the Commission denies each of and all the allegations to the contrary contained in the petition.

Further answering subdivision (b) of Paragraph 13 of the petition, the Commission denies each of and all the allegations therein contained.

Further answering subdivision (c) of Paragraph 13 of the petition, the Commission denies that either of the petitioners has the right to operate its own trains over the tracks of the terminal mentioned in said subdivision. In this connection the Commission alleges that the facts are as stated in said report of February 15, Exhibit B to the petition, page 9, from which we quote as follows:

* * * These carriers operate engines and other equipment from one line to the other over intervening tracks hereinbefore described; but there is no written contract or other arrangement for such use, and a special ar- [fol. 129] rangement is necessary for each movement. * * *

Further answering subdivision (d) of Paragraph 13 of the petition, the Commission denies each of and all the allegations contained in said subdivision.

Further answering Paragraph 16 of the petition, the Commission denies each of and all the allegations contained in said paragraph.

Further answering Paragraph 18 of the petition, the Commission denies that the finding of the Commission therein referred to is either unsupported by evidence or contrary to the fact.

Further answering Paragraph 19 of the petition, the Commission denies each of and all the allegations of erroneous action by the Commission therein contained.

Further answering Paragraph 20 of the petition, the Commission denies that in determining the value of the railway property of petitioner, Manufacturers' Railway Company, the Commission pursued a remedy which is contrary to law.

Further answering Paragraph 21 of the petition, the Commission denies that the findings therein mentioned are either unsupported by or contrary to the evidence.

Further answering Paragraph 23 of the petition, the Commission denies each of and all the allegations therein contained.

[fol. 130] Further answering subdivision (a) of Paragraph 24 of the petition, the Commission denies that "Under said Section 15a of the Interstate Commerce Act, no payments or accumulations of any excess net railway operating income are required on the part of any carrier subject to said act, unless and until the Commission shall have so adjusted the rates, fares and charges of carriers subject to said act that the carriers as a whole (or as a whole in each of the rate groups or territories designated by the Commission) will, under honest, efficient and economical management and reasonable expenditures for maintenance of way, structure and equipment earn an aggregate annual net railway operating income equal to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation."

Further answering subdivisions (b) and (c) of Paragraph 24 of the petition, the Commission alleges that each of the allegations therein contained is, and that all said allegations are, based upon speculation and incompetent, irrelevant and immaterial, and that, therefore, the Commission neither admits nor denies that any of said allegations is true.

Further answering Paragraphs 25 and 26 of the petition, the Commission denies that said order of February

15 is either beyond the Commission's power or void for the reasons, or for any of the reasons, set forth in said paragraphs.

[fol. 131] Further answering Paragraph 27 of the petition, the Commission denies that said order of February 15 takes moneys of petitioner, The St. Louis and O'Fallon Railway Company, either contrary to law, or without due process of law, or without just compensation, or in violation of the Fifth Amendment to the Constitution of the United States.

Further answering Paragraph 28 of the petition, the Commission denies that there is no provision of law that requires either the payment or recovery of interest as provided for in said order of February 15.

Further answering Paragraph 29 of the petition, the Commission denies each of and all the allegations contained in said paragraph.

Further answering Paragraph 31 of the petition, the Commission denies that petitioners, or either of them, will suffer irreparable injury or damage, or suffer any injury or damage, unless the relief prayed for in the petition is granted by the court.

Except as herein expressly admitted, the Commission denies the truth of each of and all the allegations contained in the petition in so far as they conflict either with the allegations herein, or with either the statements or conclusions of fact included in said report and order of February 15, 1927, which report and order, attached to and made a part of the petition as Exhibit B as aforesaid, are hereby referred to and made a part hereof.

All of which matters and things the Commission is ready to aver, maintain, and prove as this honorable court shall [fols. 132 & 133] direct, and hereby prays that said petition be dismissed.

Interstate Commerce Commission, by Walter L. Fisher, Special Counsel. Oliver C. Sweet, P. J. Farrell, of Counsel.

*Duly sworn to by John J. Esch. Jurat omitted in printing.*

[fol. 134] IN UNITED STATES DISTRICT COURT

MINUTE ENTRY OF FILING OF ANSWER OF U. S.—June 4, 1927

Now on this day comes the United States of America by the United States attorney for the Eastern Judicial District of Missouri, one of the defendants in the above entitled cause and files herein its separate answer to the bill of complaint of plaintiffs.

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[fols. 135-137] IN UNITED STATES DISTRICT COURT

ANSWER OF THE UNITED STATES—Filed June 4, 1927

First Defense

United States of America for the First Defense to the petition filed herein against it says:

The District Court is without jurisdiction to hear and determine the matters and things alleged in paragraph (13), subparagraphs (a) to (d), inclusive. The finding of the Commission that petitioners "were not a group of carriers under common control and management and operated as a single system within the meaning of paragraph (6) of Section 15-a" is conclusive on the petitioners, who are seeking, independently of the statute (paragraph (6) of Section 15-a, c. 91, 41 Stat. 489) and the proceedings before the Commission, to try de novo before the District [fol. 138] Court a case which they tried and lost before the Commission.

Wherefore, defendant moves to strike paragraph (13) subparagraphs (a) to (d), inclusive, from the petition and prays that an appropriate order shall be entered.

Second Defense

United States of America for the Second Defense to the petition filed herein against it says:

(1), (2). Except as found and published in the report and order of the Commission, defendant has no knowledge of the matters and things alleged in paragraphs (1) and (2) of the petition, it neither admits nor denies the same,

and in so far as the same may become material upon the hearing it will require strict proof thereof, with this exception: defendant admits the petitioners are common carriers by railroad and as such were and are subject to the jurisdiction of the Interstate Commerce Commission in the proceedings by it conducted.

(3), (4), (5), (6). Defendant does not answer paragraphs (3) to (6), inclusive, for the reason that the same constitute redundant and unnecessary pleading and do not require answer.[1]

(7). Defendant admits the Commission entered and caused to be served on the petitioners the order of May 14, 1924, and, subject to verification, Exhibit A is a true copy; for the true and correct contents of that order and [fol. 139] the purpose thereof, defendant refers to Exhibit A in its entirety; that, pursuant thereto, a vast amount of evidence consisting of oral testimony and exhibits was introduced by the Commission and the petitioners; oral arguments were made and briefs were submitted by the parties through their counsel, all to the end that a formal and full hearing according to the statute in such case made and provided might be accorded to the petitioners; that counsel for interested parties other than petitioners appeared in aid of the petitioners and in their own behalf and as amici curiae and were likewise heard by the Commission; among the latter were Messrs. Frederick H. Wood, Robert H. Kelley, and Leslie Craven, who now appear of record as counsel for the petitioners herein. No charge or claim was ever made by any of them that they were not accorded full hearing.

(8) to (12). Defendant admits the Commission made and entered the report and order of February 15, 1927, and, subject to verification, Exhibit B is a true copy. Defendant alleges the full terms, purpose, and effect of the report and order are shown on the face thereof; and while admitting the allegations contained in paragraphs (8), (9), (10), (11), and (12) with respect to dates and figures are substantially correct, the paragraphs are mere excerpts

[1] See Chicago, Rock Island & Pacific Railway v. United States, No. 190, Supreme Court, October Term, 1926, April 11, 1927.

or fragments which do not reflect the full purport of the [fol. 140] report and order which should be considered in its entirety.

(13). In the event its First Defense is not sustained and paragraph (13) is not stricken from the petition, defendant denies the matters and things alleged in paragraph (13), subparagraphs (a) to (d), inclusive, and each and every part of the same in manner and form as alleged; and in so far as the same may become material upon the hearing defendant will require strict proof thereof.

(14). Defendant alleges the matters and things alleged in paragraph (14), subparagraphs (a) to (i), inclusive, do not constitute or reflect the substance of the report and order of the Commission in its entirety or even an impartial statement of the parts which are assailed and constitute or reflect only the ex parte statement of the petitioners' side of the case; therefore, defendant denies the allegations of paragraph (14), subparagraphs (a) to (i), inclusive, and each and every part of the same in manner and form as alleged.

(15). Defendant alleges the matters and things alleged in paragraph (15), subparagraphs (a) to (c), inclusive, do not constitute or reflect the substance of the report and order of the Commission in its entirety or even an impartial statement of the part thereof which are assailed and constitute or reflect only the ex parte statement of the petitioners' side of the case; therefore, defendant denies the allegations of paragraph (15), subparagraphs (a) to (c), inclusive, and each and every part of the same in manner and form as alleged.

[fol. 141] (16) to (21). Defendant denies the allegations of paragraphs (16) to (21), inclusive, and specifically denies the allegation of paragraph (21) that "The Commission's so-called findings of value are unsupported by, and contrary to, the evidence."

(22). The allegations of paragraph (22) are substantially repetition or duplicate of the allegations of subparagraph (c) of paragraph (15) and this defendant again de-

nies the same and each and every part of the same in manner and form as alleged.

(23) to (27). Defendant denies the allegations of paragraphs (23) to (27), inclusive.

(28). Defendant denies the order of the Commission is unlawful and void on the ground that it directs the amounts found by the Commission to be held in trust and recoverable as excess net railway operating income but also interest thereon at the rate of six per cent per annum from May 1st of the years 1921, 1922, 1923, and 1924, respectively, because there is no provision of law that requires the payment or recovery of interest on such amounts for the reasons stated in paragraph (28).

(29). Defendant denies the allegations of paragraph (29), subparagraphs (a) to (h), inclusive.

(30). Defendant neither admits nor denies the matters and things alleged in paragraph (30) in manner and form as alleged; and if the same become material upon the hearing defendant will require strict proof thereof.

[fol. 142] (31). Defendant neither admits nor denies the matters and things alleged in paragraph (31), subparagraphs (a) to (c), inclusive, in manner and form as alleged; and if the same become material upon the hearing defendant will require strict proof thereof.

Defendant alleges that the facts set forth in the report of the Commission and each and all of the same are true and correct. Defendant specifically denies—

(a) any fact or facts alleged in the petition, or any part of the same, which deny, or which seek to deny, any fact or facts found by the Commission;

(b) any fact or facts alleged in the petition, or any part of the same, which are inconsistent with any fact or facts found by the Commission;

(c) any and all inferences of fact from any particular fact or facts alleged in the petition, or any part of the same, which seek to deny, or which are inconsistent with any fact or facts found by the Commission;

(d) any fact or facts alleged in the petition, or any part of the same, which set up, or which seek to set up, matters and things which were not before the Commission;

(e) any fact or facts alleged in the petition, or any part of the same, which attack or which seek to attack the action of the Commission, and to show facts other than what the Commission has found and declared;

[fols. 143-145] (f) any allegations in the petition, or any part of the same, which allege that facts were found by the Commission in its report which, as shown on the face thereof, were not so found;

(g) any conclusions of law alleged and insisted upon in the petition, or any part of the same, which are inconsistent with any conclusions of law held by the Interstate Commerce Commission;

(h) each and every allegation in the petition contained not herein specifically admitted or denied.

Wherefore, having fully answered, defendant prays that the petition be dismissed at the cost of the petitioners and for such other and further order as may be appropriate.

Blackburn Esterline, Assistant to the Solicitor General. Louis H. Breuer, United States Attorney.

*Duly sworn to by Blackburn Esterline. Jurat omitted in printing.*

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[fol. 146] In United States District Court

Minute Entry of Filing of Petition for Leave to Intervene—Sept. 16, 1927

Now on this day come the National Association of Railroad and Utilities Commissioners and its valuation committee and file herein its petition for leave to interevene herein.

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[fol. 147] In United States District Court

Order Convoking Specially Constituted District Court—September 26, 1927

Order

The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company, petitioners in the above en-

titled cause, having heretofore presented to the undersigned District Judge of the above entitled Court, their petition to set aside, annul and suspend a certain order (set forth in said petition) of the Interstate Commerce Commission, made by said Commission under the Act of February 28, 1920, commonly known as the "Transportation Act," and now appearing as Section 15a of the Interstate Commerce Act as amended; and it appearing that the United States of America and Interstate Commerce Commission, the above named defendants, have respectively appeared, and filed their respective answers to said petition; and it appearing that said petition is one which under the law requires a hearing and determination by three Judges of whom at least one shall be a Circuit Judge,—the undersigned District Judge presiding over said Court.

Doth hereby order, that the Honorable Kimbrough Stone, Circuit Judge, and the Honorable Arba S. Van Valkenburgh Circuit Judge, be and they are hereby called to the assistance of the undersigned District Judge, to hear and determine the above entitled cause.

And it is further ordered, that the court as above constituted shall convene on the fifth day of October, 1927, at [fol. 148] 10 o'clock A. M. in the United States Court rooms at Kansas City, Missouri, and the parties shall take notice accordingly.

Dated Sept. 26th, 1927.

C. B. Faris, District Judge.

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[fol. 149] In United States District Court

Minute Entry of Filing of Petition for Leave to Intervene—Oct. 1, 1927

Now on this day comes the National Conference on Valuation of American Railroads and files herein its verified petition for leave to intervene.

[fol. 150] IN UNITED STATES DISTRICT COURT

MINUTES OF TRIAL—Oct. 17, 1927

Order of Final Submission made in Kansas City, Mo., Oct. 7, 1927

Now on this day there is received and filed herein minutes of the proceedings in the above entitled cause had at Kansas City, Missouri, on October 5, 6, and 7, 1927, which said minutes are entered of record herein in words and figures as follows, to-wit:

(Caption omitted)

Pursuant to notice and to order of Hon. C. B. Faris, one of the judges of the District Court of the United States, in and for the Eastern Division of the Eastern District of Missouri, to whose court, by local rule, this cause was assigned, said cause came on to be heard, at the hour of ten o'clock A. M. of October 5th, 1927, at the courtroom of the District Court of the United States in Kansas City, Missouri, before a statutory three-judge court, composed of Hon. Kimbrough Stone, Circuit Judge, Hon. Arba S. Van Valkenburgh, Circuit Judge and Hon. C. B. Faris, District Judge, as aforesaid, the parties both plaintiff and defendant appearing by their respective solicitors and counsel; and in open court consenting that said court may be held at such time and place.

Motion and application of the National Association of Railroad and Utilities Commissioners and its Valuation Committee, for leave to intervene, filed and upon consideration overruled. Leave granted to said above-named parties to appear as amici curiæ and present arguments orally [fol. 151] and to file briefs, if they desire and are so advised.

Motion of Public Service Commission of the State of Illinois for leave to intervene made ore tenus, and upon consideration overruled. Leave granted to said Public Service Commission to appear as amicus curiæ and present oral arguments and file briefs if it so desires and is so advised.

Motion and application of National Conference on Valuation of American Railroads for leave to intervene filed

and upon consideration, overruled. Leave granted to said National Conference on Valuation of American Railroads to appear and present arguments and file briefs if it so desires and is so advised.

Thereupon, both sides announced ready for trial and the cause was taken up for hearing upon the pleadings and proof, and the trial proceeded, and, not being concluded on this day, further hearing is at the hour of 4:30 P. M., postponed till 10 o'clock A. M., of Thursday, the 6th day of October, 1927.

On Thursday, October 6th, 1927, at 10 o'clock A. M., again came the parties, at the place aforesaid and before the court composed as aforesaid, and the trial proceeds, but not being concluded on this day, further hearing is at the hour of 5 o'clock P. M., postponed till 9:30 o'clock A. M., of Friday October 7th, 1927.

On Friday, October 7th 1927, at 9:30 o'clock A. M. again came the parties, at the place aforesaid and before the court composed as aforesaid, and the trial of the cause proceeds and is completed. After arguments of counsel and solicitors for plaintiff and defendants (no counsel appearing for amici curiæ) the trial of the cause is concluded and submitted to the court, and the court announces that they will take time to advise. Leave granted plaintiffs to file [fol. 152] printed briefs, on or before October 14th 1927. Leave granted defendants to file printed briefs, on or before October 28th 1927, and to plaintiffs to file printed briefs in reply, on or before November 3rd, 1927.

Thereupon, the court takes an indefinite recess, subject to call as to time and place, of Hon. Kimbrough Stone, presiding on the hearing.

The foregoing minutes are certified as correct and ordered to be filed and entered upon the records. This 7th day of October, 1927.

(Signed) Kimbrough Stone, Circuit Judge. Arba S. Valkenburgh, Circuit Judge. C. B. Faris, District Judge.

[fol. 153] Record Entry of October 17, 1927

Now on this day there is received and filed three separate orders made at the hearing had herein at Kansas City, Mis-

souri, on October 5, 1927, before a statutory three-judge court, composed of Hon. Kimbrough Stone, Circuit Judge, Hon. Arba S. Van Valkenburgh, Circuit Judge, and Hon. C. B. Faris, District Judge, (as well as supplemental petition of petitioners herein).

(1) Overruling the separate motions of certain petitioners for leave to intervene herein, and

(2) Granting leave to petitioners to amend by interlineation the original petition filed herein.

(3) Order granting petitioners leave to file supplmental petition, which separate orders are entered of record herein in words and figures as follows, to-wit:

[fol. 154] IN UNITED STATES DISTRICT COURT

ORDER DENYING LEAVE TO INTERVENE—Filed in District Court at St. Louis, Mo., Oct. 17, 1927; Made in Kansas City, Mo., Oct. 5, 1927

On separate motions of National Conference of Valuation of American Railroads, of the National Association of Railroad and Utility Commissioners and the Valuation Committee of that Association, of the Illinois Commerce Commission and of the City of Chicago for leave to intervene in the above entitled cause.

It is hereby ordered that leave to intervene herein of said petitioners be denied and

It is further ordered that leave is hereby given to each and every of said Petitioners to be heard in such oral or written arguments as may be had in this cause.

(Signed) Kimbrough Stone, United States Circuit Judge. Arba S. Van Valkenburgh, United States Circuit Judge. C. B. Faris, United States District Judge.

[fol. 155] IN UNITED STATES DISTRICT COURT

ORDER GRANTING LEAVE TO AMEND PETITION—Filed in District Court at St. Louis, Mo., Oct. 17, 1927

Upon motion of petitioners herein made in open court after due notice given to defendants, it is hereby ordered that petitioners are granted leave to amend the original petition filed in the above entitled cause by interlining therein in paragraph numbered 23, after the word "Commission" and before the word "and" the words and figures, "and was not less than to wit one million three hundred and fifty thousand dollars ($1,350,000);" to which action of the court the counsel for the defendants then and there objected and excepted; and thereupon on motion of counsel for defendants it was ordered that the answers of defendants shall stand as their answers to the petition as amended.

(Signed) Kimbrough Stone, United States Circuit Judge. Arba S. Van Valkenburgh, United States Circuit Judge. C. B. Faris, United States District Judge.

Done in Open Court this 5th day of October, 1927.

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[fol. 156] IN UNITED STATES DISTRICT COURT

ORDER GRANTING LEAVE TO FILE SUPPLEMENTAL PETITION—Filed in District Court at St. Louis, Mo., October 17, 1927

Petitioners have leave to file supplemental petition.

(Signed) Kimbrough Stone, Circuit Judge. Arba S. Van Valkenburgh, Circuit Judge. C. B. Faris, District Judge.

Done in open court this 5th day of October, 1927.

[fol. 157] IN UNITED STATES DISTRICT COURT

SUPPLEMENTAL PETITION—Filed in Kansas City, Mo., Oct. 5, 1928; filed Oct. 17, 1927, in District Court at St. Louis, Mo.

To the Honorable the Judges of said District Court:

Your petitioners, The St. Louis and O'Fallon Railway Company and Manufacurers' Railway Company, for the purpose of supplementing the petition filed herein on the 26th day fo April, A. D., 1927, respectfully allege:

1

That on or about the 5th day of May, A. D., 1927, subsequent to the filing of said petition, the Interstate Commerce Commission made and entered, in the proceedings referred to in the opening paragraph of said petition, a certain order, a copy of which, marked Exhibit "A," is hereto attached and hereby referred to and made a part hereof as though herein fully set forth.

2

That on the 24th day of May, A. D. 1927, said Interstate Commerce Commission made and entered a certain other order in said proceedings, a copy of which, marked Exhibit "B," is hereto attached and hereby referred to and made a part hereof as though herein fully set forth.

[fol. 158] 3

That by the terms of the orders hereinabove referred to and especially by the terms of said last mentioned order, a copy of which is hereto attached marked Exhibit "B," the effective date of the order referred to in paragraph (9) of the original petition filed herein, was postponed and extended to the 15th day of November, A. D. 1927, and thereby the payments and accumulations originally required by the terms of said order of February 15, 1927, to be made within ninety days from the date of said order, are now required

to be made on or before the 15th day of November, A. D. 1927.

Respectfully submitted.

Frederick H. Wood, Robert H. Kelley, Leslie Craven, Daniel N. Kirby, Solicitors for Petitioners. Cravath, Henderson & de Gersdorff, Andrews, Streetman, Logue & Mobley, Nagel & Kirby, of Counsel.

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[fol. 159] IN UNITED STATES DISTRICT COURT

MINUTE ENTRY OF FILING OPINIONS—December 10, 1927

Now on this day comes Hon. Kimbrough Stone, Circuit Judge, and files herein his memorandum opinion, together with separate concurring opinion of Hon. C. B. Faris, District Judge, modifying the order of the Interstate Commerce Commission, dated February 15, 1927, to allow interest from June 17, 1927, on each of the amounts found by the Commission, sustaining said order, as thus modified, and awarding a decree accordingly, such decree to be entered as of date December 19, 1927, at 9:30 o'clock A. M. at St. Louis, Missouri, at which time the Court will consider any matters in connection therewith or in connection with any appeal therefrom.

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[fols. 160-162] IN UNITED STATES DISTRICT COURT

[File endorsement omitted]

No. 7859

THE ST. LOUIS AND O'FALLON RAILWAY COMPANY and MANUFACTURERS' RAILWAY COMPANY, Petitioners,

v.

UNITED STATES OF AMERICA and INTERSTATE COMMERCE COMMISSION, Defendants

OPINION—Filed Dec. 10, 1927

Opinion by STONE, Circuit Judge:

The matter here involved is the validity of an order of recapture made by the Commission against the St. Louis

& O'Fallon Railway Company (called O'Fallon herein). The order was made on February 15, 1927, upon two hearings held in October, 1924, and July, 1926. The proceeding was against the O'Fallon and the Manufacturers' Railway Company (called Manufacturers' herein). The Commission found no excess net earnings against the Manufacturers' but, as to the O'Fallon, net earnings in excess of 6 per cent for each of four periods: the last ten months of 1920 and the calendar years of 1921, 1922 and 1923, and ordered one-half of such excess for each period to be paid to the Commission on or before a fixed date and the other [fol. 163] half to be held by the O'Fallon in a "reserve fund." The body of the recapture order is as follows:

"It appearing, That in compliance with the provisions of paragraphs (4) to (9), inclusive, of Section 15a of the Interstate Commerce Act this Commission entered upon an investigation into and concerning the matter of excess net railway operating income of the St. Louis & O'Fallon Railway Company and of the Manufacturers' Railway Company;

"It further appearing, That a full investigation of the matters and things involved having been had, and this Commission having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which report is hereby referred to and made a part hereof;

"It further appearing, That no amount of excess net railway operating income was received by the said Manufacturers' Railway Company during the periods covered by the investigation, but that the following designated amounts of excess net railway operating income were received by the said St. Louis & O'Fallon Railway Company for the periods stated:

| | |
|---|---|
| Mar. 1 to Dec. 31, 1920, inclusive | $106,755.96 |
| Jan. 1 to Dec. 31, 1921, inclusive | 130,205 13 |
| Jan. 1 to Dec. 31, 1922, inclusive | 106,391.03 |
| Jan. 1 to Dec. 31, 1923, inclusive | 110,409.22 |

"It further appearing, That under the provisions of paragraph (5) of said section, one half of such excess net railway operating income is held by the said St. Louis &

O'Fallon Railway Company as trustee for the United States; that, under the provisions of paragraph (6) of said [fol. 164] section, said one-half of such excess net railway operating income is recoverable by and payable to this Commission within the first four months following the close of the period for which the computation is made; and that, to the extent required by the provisions of paragraphs (6) and (8), the remaining one-half of such excess net railway operating income is required to be placed in a reserve fund established and maintained by said St. Louis & O'Fallon Railway Company.

"And it further appearing, That on March 28, 1924, this Commission, by division 4, announced that interest on amounts of excess net railway operating income payable to the United States under said section would be required at the rate of 6 per cent per annum, beginning four months after the termination of the period for which the said excess, net railway operating income is computed:

"It is ordered, That the amounts of excess net railway operating income which are held by the said St. Louis & O'Fallon Railway Company, as trustee for the United States, under the aforesaid provisions, be paid to this Commission in federal reserve funds, drawn to the order of the Interstate Commerce Commission and transmitted to George B. McGinty, secretary, Washington, D. C., within 90 days from the date hereof, together with interest thereon as stated below:

With interest from

| | |
|---|---|
| May 1, 1921 | $53,377.98 |
| May 1, 1922 | 65,102.56 |
| May 1, 1923 | 53,195.51 |
| May 1, 1924 | 55,204.61 |

"It is further ordered, That the remaining one-half of such excess net railway operating income be placed in a reserve fund, as required by paragraph (6) of said section, as aforesaid."

[fol. 165] The present bill was filed by both companies to enjoin that order as illegal. The interest of the Manufacturers' in the order against the O'Fallon arises from

the contention that, for recapture purposes, the net revenues of the two roads should be considered as derived from "a single system" within the meaning of section 15a, paragraph (6).

The entire order is attacked upon four grounds: (I) Because based upon an erroneous and inadequate finding of value; (II) because the O'Fallon and the Manufacturers' constituted "a group of carriers under common control and management and operated as a single system," within the meaning of Section 15a, Paragraph (6) of the Commerce Act, as amended; (III) because the Commission had not, prior to any of these recapture periods, prescribed the group rates required by section 15a, paragraphs (2) and (3) which, it is claimed, is a prerequisite to any recapture; (IV) because section 15a is void as a delegation of legislative power without any prescribed course of procedure or rules of decision to be followed in the exercise of such power.

The "reserve fund" provision of the order is attacked because (a) section 15a does not impress a trust upon such portion of the excess fund and (b) because section 15a and the order each results in denying full and unrestricted use of what is the private property of the railroad and, therefore, is a taking thereof without due process of law.

There are two lesser contentions: (a) that interest could not be required and (b) that income arising prior to August 26, 1920, is not subject to recapture.

[fol. 166]

## I

### Valuation

The attack upon the valuation of the property of the O'Fallon is stated to be that the Commission measured such value upon the assumed prudent investment basis and failed to give "effective and dominant consideration * * * to the cost of reproduction at the price levels existing at the time the issue arises." The "issue arises" here as to each of the several recapture periods, to wit, the last ten months of 1920 and each of the calender years of 1921, 1922 and 1923.

The values found by the Commission for each of these periods were as follows: for the last ten months of 1920, $856,065.00; for 1921, $875,360.00; for 1922, $978,874.00 and for 1923, $978,246.00. The amount claimed by the O'Fallon as its value during each of such periods is "not less than $1,350,000.00."

The United States contends that there is no question of confiscation presented here and no need to examine the accuracy of the values found by the Commission or its methods used in determining such values, because even if it might be conceded that the above value claimed by the O'Fallon is correct, yet its net earnings thereon would, less the amount ordered paid over to the Government by the order of the Commission, be an ample return thereon for each of the recapture periods.

For the purpose of resolving this contention made by the Government, the value of the O'Fallon may be taken, as claimed by it, to be $1,350,000.00. There is no dispute as to the net earnings (undiminished by any recapture pro-[fol. 167] ceedings) as to each of the above four periods. Such earnings were as follows: for the last ten months of 1920, $147,519.89; for 1921, $182,726.73; for 1922, $165,-123.47; for 1923, $169,103.98. The amounts ordered paid over to the Government for each of these periods respectively were as follows: for the last ten months of 1920, $53,377.98; for 1921, $65,102.56; for 1922, $53,195.51; for 1923, $55,204.61. The sum ordered placed in "reserve fund" for each of such periods was the same in amount as ordered paid over. Thus, the amounts affected and controlled by the order for each of the periods was as follows: for the last ten months of 1920, $106,755.96; for 1921, $130,-205.12; for 1922, $106,391.02; for 1923, $110,409.22. Subtracting the last amounts from the undiminished net returns for each period leaves, as the net income unaffected by the order, the following: for the last ten months of 1920, $40,763.93; for 1921, $52,521.61; for 1922, $58,732.45; for 1923, $58,694.76. The largest of these balances ($58,-732.45) is but 4.35 + per cent of the above assumed value ($1,350,000.00) of the property. Such a return is obviously insufficient. Therefore, it is of controlling importance, as to this contention in this case, to determine two matters.

First, whether the return to the carrier in a recapture case is to be measured by the net revenue remaining after deducting both the amount to be paid over to the Government and the amount to be placed in the "reserve fund" or is to be measured by the net revenue remaining after deducting only the amount to be paid over to the Government. The latter is the contention of the Government. That position is based upon an expression of the Supreme Court in the only recapture case which has, so [fol. 168] far, been decided by it. In that case (Dayton-Goose Creek Railway Co. v. United States, 263 U. S. 456), at p. 486, the Court (italics ours) said:

"The act fixes the fair return for the years here involved, 1920 and 1921, at five and a half per cent and the Commission exercises its discretion to add one-half a per cent. The case of Bluefield Water Works & Improvement Co. v. Public Service Commission, 262 U. S. 679, is cited to show that a return of six per cent on the property of a public utility is confiscatory. But six per cent was not found confiscatory in Wilcox v. Consolidated Gas Co., 212 U. S. 19, 48, 50; in Cedar Rapids Gas Light Co. v. Cedar Rapids, 223 U. S. 655, 670; or in Des Moines Gas Co. v. Des Moines, 238 U. S. 153, 172. Thus the question of the minimum of a fair percentage on value is shown to vary with the circumstances. *Here we are relieved from considering the line between a fair return and confiscation, because under the provisions of the act and the reports made by the appellant, the return which it will receive after paying one-half the excess to the Commission will be about eight per cent on the reported value. This can hardly be called confiscatory.* Moreover the appellant did not raise the issue of confiscation in its bill and it cannot properly be said to be before us."

While the Court said that the issue of confiscation was not raised in that bill and that such issue "cannot properly be said to be before us," and, therefore, the above italicized expression may be regarded as a dictum not necessary to a decision of the case, yet we cannot say that it does not represent the view of that court as to that matter. Whatever [fol. 169] might be our independent view as to the inclusion

of the "reserve fund" portion with the net revenue left unrestricted with the carrier and the determination that such combined sum is to be taken as the "return" by which confiscation is to be measured, we do not feel free to disregard this seemingly clear and deliberate statement that such combined sum is such measure. Because that is the supreme and the only measure so far given by the Supreme Court in a recapture case, we feel obligated to accept it as the rule of law to be applied by us herein.

The second matter to be determined is the result from applying this rule of law to the facts as shown by the evidence. Applying this measure to the undisputed evidence, such return for each of the recapture periods is as follows: for the last ten months of 1920, $94,141.91; for 1921, $117,624.17; for 1922, $111,927.96; for 1923, $113,899.37. These amounts give a percentage return for the respective periods upon the value ($1,350,000.00) claimed by the carrier as follows; for the last ten months of 1920, 6.97 + per cent; for 1921, 8.71 + per cent; for 1922, 8.29 + per cent; for 1923, 8.43 + per cent.

While the question of what suffices to constitute a "fair return," in a confiscatory sense, varies with circumstances (Dayton-Goose Creek Ry. v. United States, 263 U. S. 456, 486), yet the Supreme Court in that case (p. 486) held that a return of "about 8 per cent" could "hardly be called confiscatory," and said that a return of "six per cent was found not confiscatory in Willcox v. Consolidated Gas Co., 212 U. S. 19, 48, 50; in Cedar Rapids Gas Light Co. v. Cedar Rapids, 223 U. S. 655, 670; or in Des Moines Gas Co. v. Des [fol. 170] Moines, 238 U. S. 153, 172." These statements from the Dayton-Goose Creek case would clearly eliminate the returns (more than 8 per cent) on the O'Fallon for the years 1921, 1922 and 1923. That case would seem also to eliminate the return (6.97+ per cent) on the O'Fallon for the last ten months of 1920 because that case was a recapture case and the above expressions of the Court concerning the percentage of return were made, in part, concerning a recapture for the same period (last ten months of 1920) involved in this case.

From the above law and facts, it seems that this contention of the United States is well founded; that the verity of the Commission's valuation herein need not be examined

and cannot affect this recapture order, and, therefore, that such order is not open to attack upon the ground of wrongful valuation. If this be true, it is unnecessary to examine and determine the various contentions made by the parties and amici curiæ concerning the proper manner of ascertaining value herein.

## II

### System Operation

Section 15a, paragraph (6) (41 Stat. 489), contains a provision that

"For the purposes of this paragraph the value of the railway property and the net railway operating income of a group of carriers, which the Commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole [fol. 171] irrespective of the separate ownership and accounting returns of the various parts of such system."

This proceeding was against both the O'Fallon and the Manufacturers'. The Commission found excess earnings for the O'Fallon and found none for the Manufacturers'. Also the Commission found a common control and management but not a single system operation of the two carriers. Therefore, it denied them the application of the above statutory provision. Both carriers contend that such denial was error and that they do, within the above statute, constitute such a single system.

The United States challenges the jurisdiction of this Court to examine this question. This challenge is not well made. The statute laid down the rule. It was the duty of the Commission to apply that rule to the evidence before it and to reach and state a resulting conclusion. That conclusion affects the legal rights of these carriers as fixed by the statute. The carriers claim here that this conclusion of the Commission was based upon no evidence. Therefore, that conclusion is judicially examinable, at least to the extent to ascertain whether it was the result of arbitrary action by the Commission—that is, whether the conclusion was reached without the necessary basis of evidence (North-

ern Pacific v. Dept. Public Works, 268 U. S. 39, 44-45; Ohio Valley Co. v. Ben Avon Borough, 253 U. S. 287, 297; Interstate Commerce Commission v. Union Pacific R. R., 222 U. S. 541, 547).

The statutory requirement is that to be entitled to treatment as a "group," the carriers must be "under common [fol. 172] control and management" and must be "operated as a single system." Whether such requirements exist is a matter of fact to be determined from the evidence. There is no substantial contradiction in the evidence but the difference arises mainly from the conclusion of ultimate fact to be deduced from the evidence. There is little room for such difference, in so far as "common control and management" is concerned, for the evidence is clear that the Adolphus Busch estate owns a large majority of the stock of both carriers and that there is a common executive and office force which handles and controls the business of each. The real point of difference is whether the two are "operated as a single system." The evidence upon this point is well stated in the report of the Commission, as follows:

"The Manufacturers' owns and operates about thirty miles of track in St. Louis, of which five miles are classified as main track and twenty-five miles as sidings or industrial tracks. Its construction was commenced in 1887 by the interests which controlled the Anheuser-Busch Brewing Association. The Manufacturers' is purely a switching road, moving cars between various industries and the trunk lines, or the line of the Terminal Railroad Association of St. Louis, hereinafter called the Terminal. It issues no waybills, but issues receipts to shippers and transmits bills of lading to the trunk lines by which regular waybills are made out.

"The O'Fallon operates about nine miles of main line and twelve miles of yard track and sidings in Illinois, the former extending from coal mines owned by the Adolphus Busch estate westward to a connection with the tracks of [fol. 173] the Terminal in East St. Louis. Its traffic is almost exclusively coal in carloads, which is distributed widely through the Northwest, moving from origin on regular billing. Through the medium of the Terminal, its shipments are delivered at various points in St. Louis, some of which are on the tracks of the Manufacturers'. Control

of the O'Fallon was acquired by the Busch interests in 1913. The industries of the controlling interests have never used more than 8 per cent of the coal shipments from the O'Fallon. The distance between the railroad of the O'Fallon and the railroad of the Manufacturers' is about 12 miles, and communication by rail between the two properties is effected over the tracks of the Terminal, including a bridge over the Mississippi River. Upon the completion of a new bridge, referred to as the municipal bridge, it is proposed to construct tracks which will effect direct physical connection between the Manufacturers' and the O'Fallon; and, in preparation for this development, the O'Fallon has acquired and holds about thirty acres of land near the eastern approach of the new bridge. These carriers operate engines and other equipment from one line to the other over intervening tracks hereinbefore described; but there is no written contract or other arrangement for such use, and a special arrangement is necessary for each movement. Due to the difference in traffic handled by the Manufacturers' and the O'Fallon, there is no occasion for regular through operation of trains over the lines of these carriers."

"The general offices are located in St. Louis. There is an engine repair shop located on the Manufacturers' in St. Louis and the O'Fallon has a car repair shop on its line. Repair work on equipment for both carriers is done at [fol. 174] these shops as well as similar work for other carriers. Work done for either carrier in the shop of the other is charged for the same as for work done for any other carrier.

"The rates to and from points on the Manufacturers' are the St. Louis rates, to which Manufacturers' is a party, and out of which it gets revenue in the form of a switching or terminal charge which is absorbed by the line-haul carrier. The O'Fallon is also a party to many joint rates with trunk lines. The companies render separate operating reports to us.

"The above statement of facts is applicable, without material modification, to the entire period of three years and ten months covered by this investigation."

"Only a very small percentage of the traffic originating on the O'Fallon moves to points on the Manufacturers' and practically no traffic moves from the Manufacturers' to the

O'Fallon. There is no common financial responsibility or intermingling of financial obligations and benefits as between the two carriers."

To this statement it may be added that the O'Fallon was acquired by the Busch interests with the apparent purpose of connecting it up with the Manufacturers' and thus furnishing a complete system consisting of connected terminals on both sides of the river, but this has never been done and was not the situation at the time of these recapture periods. This evidence seems to justify the conclusion of the Commission that "they stand apart in physical location, in the character of traffic handled, in the conduct of their financial transactions, * * *." A mere short gap in physical connection might not be sufficient to prevent these carriers being regarded as "a single sys-[fol. 175] tem" within the statutory meaning. But where such gap exists and thereto is added the considerations that there is no common traffic moving one way over the two carriers and only a small percentage the other way, it is difficult to believe that the two are operated as the "single system" intended by the statute. Also, there is no financial interdependence between them so that the low earnings of one corporation can be aided or recouped by the other.

It is strongly urged that there is an actual physical, or at least a legal connection, between the two roads arising from the fact that the Terminal Railroad Association, which owned and operated the trackage between these two carriers, was declared to be the "agent" and "servant" of the roads with which it connected in the so-called Terminal Railroad Cases (U. S. v. Terminal R. R. Ass'n., 224 U. S. 383, 236 U. S. 194; Terminal R. R. Assn. v. U. S., 266 U. S. 17). It may be, that for the legal purposes involved in those cases, the Terminal is an agent or servant of every road connecting with it which uses its facilities. But we are dealing now with a matter of statutory construction—the question being, whether, in this statute, "operated as a single system" was meant to include such a situation as is here present. The fact of a mere physical break in the trackage does not seem to us to be determinative. The Wabash, which goes both east and west from St. Louis, might, within this statute, be a "single system," even though there be a short break in its physical connection.

Such conclusion might not be affected, even though that break is bridged by an entirely independent carrier, if the [fol. 176] only place therein of such independent carrier is that of transfer from one Wabash trackage to another. But here these two carriers have no traffic carrying or operating unity except for the small amount of coal delivered to the Manufacturers' from the O'Fallon and no financial interdependence. Therefore, we think, the Commission correctly held these two carriers not to be "operated as a single system" within the meaning of this statute.

## III

### Rates Under Section 15a as Prerequisite to Recapture

This contention is, that paragraphs (2) and (3) of section 15a require the Commission to fix rates in a group of carriers so that the earnings of such group carriers shall, "as nearly as may be," yield a fair return upon the aggregate value of such carriers and shall from time to time determine what percentage upon such value will produce such fair return; that until such rates are fixed and operative, there can be no recapture of earnings from any carrier within such group; that no such rates had been established at the periods covered by this recapture order and that the aggregate earnings for all the carriers in the group in which the O'Fallon falls were, for these recapture periods, less than the temporary percentage allowed thereon by paragraph (3).

The recapture provisions are in paragraphs (5) to (16) inclusive and paragraph (18) of the section. Of such paragraphs, (5) and (6) are here important. Paragraph (5) provides that the earnings of any carrier in excess of the percentage established under paragraph (3) by the Commission shall be subject to recapture. Paragraph (6) fixes [fol. 177] a maximum percentage of 6 per cent beyond which earnings are to be regarded as an excess and may be recaptured.

Paragraphs (2) and (3) relate to fixing of rates, having in view all of the carriers of a group. Paragraphs (5) and (6) have to do with recapture of excessive earnings from individual carriers. We see no necessary nor logical dependence of the latter upon the former and we find no ex-

pression nor implication in the section leading to such result. The only relation between these paragraphs seems to be that the percentage fixed by the Commission under paragraph (3) as constituting a "fair return" shall, under paragraph (5), measure "fair return" (therefore, excess earnings) for recapture purposes with a maximum percentage limitation of six per cent under paragraph (6). Here, the recapture is sought for the claimed excess above the maximum percentage of "fair return" permitted by paragraph (6), hence no percentage fixed or not yet fixed by the Commission under paragraph (3) for earnings by the group can have any effect upon the rights of this carrier.

Also, there may be significance in the provision of paragraph (3) fixing a temporary percentage of return for two years beginning March 1, 1920. Obviously, one purpose of this provision was to bridge the period following the effective date of this Act (approved, February 28, 1920), during which the Commission should, under paragraphs (2) and (3), form the carriers of the country into groups and determine the percentage constituting "fair return" under paragraph (3). Since the only connection between paragraphs (2) and (3) and paragraphs (5) and (6) is the percentage constituting fair return, the above provision is, [fol. 178] at least, pursuasive that the Congress intended thereby expressly to remove all thought of suspension of operation of paragraphs (5) and (6) until after determination by the Commission of the percentage of return under paragraph (3).

This contention of appellants must be denied.

## IV

### Procedure

It is contended that section 15a is invalid as a delegation of legislative power without prescribing a method of procedure. The section defined the duties of the Commission as to fixing rates, declared what should be excess income subject to recapture, the disposition to be made by the Commission of the recaptured funds coming into its hands and the disposition of the portion going into the "reserve fund" left with the carrier. As to recapture it fixed a maximum percentage of return as a basis of earnings and di-

rected the Commission as to the ascertainment of property value to which that percentage should apply. In short, the section set out completely the legislative rules. The only duty left to the Commission was the ascertainment of the facts in each case to which those rules were to be applied by it. It left the Commission no discretion as to the application of those rules of law to the facts found by it. Therefore, no legislative power was delegated (United States v. Grimaud, 220 U. S. 506, 516). The section (paragraph 9) authorizes the Commission to "prescribe rules and regulations for the determination and recovery of the excess income payable to it," having in mind the mere administrative procedure before it (such as hearings, notices, [fol. 179] etc.) having to do with the ascertainment of the matters of fact committed to it by the section. Moreover, a full hearing was had herein.

## V

### The "Reserve Fund"

After requiring that one-half of the excess earnings found by it for each of the recapture periods be paid over to the Commission, this order of recapture contained a provision "That the remaining one-half of such excess net railway operating income be placed in a reserve fund, as required by paragraph (6) of said section, as aforesaid."

This provision of the order is attacked upon two grounds. The first of these grounds is that section 15a does not impress a trust upon such portion of the excess earnings. Paragraph (6) provides that such portion of the excess earnings "shall be placed in a reserve fund established and maintained by such carrier." Paragraph (7) provides that the carrier can use this fund for no "other purpose" than to supply dividend deficiencies, up to 6 per cent, of subsequent years. Paragraph (8) provides that such fund need be maintained only up to 5 per cent of the value of the carrier. The purpose of these provisions is obvious. It is to segregate a special fund, of a stated maximum, for a prescribed purpose. It is of no moment whether this be denominated a trust or not. The intention is clear and the only question is one of legislative power.

The second ground for challenging this portion of the order is that it denied the full and unrestricted use to the [fol. 180] carrier of what was its private property. The Dayton-Goose Creek case, supra, p. 484, has determined that Congress had power to hold the carrier to a reasonable return and to control all excess thereover. If that power extends to entirely taking from the carrier one-half of such excess, as there held, it more clearly would cover limitation of use by the carrier of the other half.

## VI

### Interest

The order of the Commission required payment of the recapture amount for each of the various periods, with interest thereon at 6 per cent, from a time four months after the end of such period. The allowance of any interest is challenged. The section (paragraph 6) requires one-half of the excess earnings to be paid over to the Commission "within the first four months following the close" of the recapture period. Evidently, it was upon such provision that the Commission based its claim of power and right to require interest from the end of such four months period. While this provision obligated the carrier to pay over within the four months, yet where there is, as here, a bona fide contention that there was no excess earned, no liability for interest could arise until it had been ascertained whether and in what amount there was an excess to be paid over.

The carrier contends that such liability is not ascertained, or liquidated, until it has been determined judicially. We think the section (paragraphs 4, 6 and 9) made it the duty of the Commission to determine the amount due and that, where there is a dispute, such determination is a liquidation of such for interest purposes.

[fol. 181] Therefore, the Commission erred in requiring interest from four months after the respective recapture periods but not in requiring interest. The order should be modified to require interest from the date when, under the order, the payments found due by the order should be made—this was 90 days after date of the order, entered February 15, 1927.

## VII

### Period March 1 to August 26, 1920

It is contended that, in no event, could there be recapture for the period between March 1, 1920, and August 26, 1920. This contention is, in a reduced form, the same as treated above under heading IV. It is that prior to August 26, 1920, this carrier received no income under the provisions of section 15a (paragraph 2) because the increased rates installed thereunder did not become effective until that date. As said above (heading IV), the section seems to fix March 1, 1920, as the beginning of the time for recapture and the fixing of rates (under section 15a or otherwise) has no effect upon that matter.

### Conclusion

The order should be modified to allow interest on each of the amounts found by the Commission from June 17, 1927, and as thus modified should be sustained.

It is so ordered.

Faris, D. J., concurs in opinion filed.

An order will be entered herein at the court in St. Louis on December 19th, 1927, at 9:30 a. m., at which time the Court will consider any matters in connection therewith or in connection with any appeal therefrom.

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[fol. 182] In United States District Court

[Title omitted]

Concurring Opinion—Filed Dec. 10, 1927

Faris, D. J., Concurring:

I concur in the result reached in the opinion of Judge Stone and concur fully in the views expressed as to the matter of interest overcharge.

I also agree with the conclusion that the plaintiffs' railways do not constitute under the law upon the facts a "single system," "under common control and management"

and "operated as a single system." It may well be that here, the findings of the Interstate Commerce Commission upon this point are not reviewable by this Court. But the latter point need not be ruled. For, while it may, at least arguendo, be conceded that plaintiffs' railways are under [fol. 183] "common control and management," the facts do not in my opinion, show that they are "operated as a single system." Under subdivision (6) of Section 15a of the Interstate Commerce Act, as amended by the Transportation Act, passed on February 28, 1920 (41 Stats. 488), both of these verities must contemporaneously exist; since upon the facts here but one of them is present, the plaintiffs' railways constitute, for recapture purposes, two separate entities. I shall (for brevity's sake) call the complaining plaintiff O'Fallon, simply.

I concur in the view that the Interstate Commerce Commission (hereinafter called Commission) did not err in considering as a part of the recapture period the last ten months of the year 1920; that is, the ten months of the year 1920 following the effective dates of the Transportation Act and of Section 15a of the Interstate Commerce Act (allocated to the latter Act, but enacted as a part of the former Act). It may be true, as plaintiffs contend, that technically no carrier received any income under the provisions of section 15a, because no increase of rates and no adjustment of rates were formally made or authorized, till the order of the Commission of August 26, 1920 (Reduced Rates 1922, 68 I. C. C. 676). But since the recapture provisions took effect, when the Transportation Act became the law, that is on March 1, 1920, and since the O'Fallon earned money subject to recapture without any increase or adjustment of rates, it is my opinion that it cannot take advantage of this situation, even though some of the carrier members of the group to which it is allocated might have been entitled to an adjustment, or an increase of rates which they [fol. 184] did not get before the order of August 26, 1920.

Plaintiffs contend that confiscation has happened by reason of the use of elements of valuation not in accord "with the law of the *law*," which concededly, at least among other things, is to be regarded in reaching a valuation of

the properties of O'Fallon used in the service of transportation. On the other hand, the Government and the Commission contend, that upon no view is confiscation present, for that the matter is merely one wholly solvable by a proper construction of the apposite statutes. It may be conceded that if the contentions of the Commission and the Government, both as to law and the facts in the case are correct, there is no confiscation. But if plaintiffs' contentions in such behalves are correct, I think confiscation is obvious. So, the case differs upon the point in a way in no wise unique or contrary to the ordinary case wherein constitutional questions are urged by the one party and combated by the other, and so the insistence of the defendants seems a begging of the question.

Defendants use this mathematical formula in demonstration of this contention, to wit:

"For 1922, 6 per cent on $978,874, the value found by the Commission, is $58,732.44. For 1922, the net railway operating income was $165,123.47. Subtract the $58,732.44 and the difference is $106,391.03. One-half is $53,195.51. Add $58,732.44 and $53,195.51 and the sum of $111,927.95 is O'Fallon's share. That amount is equivalent to 11.43 per cent on $987,874.00; and 8.29 per cent on $1,350,000.00, the value alleged by O'Fallon in the amended petition."

[fol. 185] Adopting the identical formula, but using the valuation of $1,350,000.00, contended for by plaintiffs, the final figures reached are $123,087.44, instead of $111,927.95, which is about 9 per cent on the valuation for which plaintiffs contend. Subtract $123,087.44 from $165,123.47, which is the net operating income for the year 1922, the result is $42,136.03, which the Commission should have exacted, whereas, it seeks to take for the year 1922, $53,195.51. With deference, however, I think the formula has been carried too far. The controlling final figures would have resulted, had the wholly unnecessary final addition and final subtraction not been done. For example, six per cent of $1,350,000.00 is $81,052.44; the net operating income for the year 1922 was $165,123.47. Subtract from such income the $81,052.44, which plaintiffs contend the O'Fallon is entitled to, and there is left the sum of $84,071.08, only, subject to

treatment for recapture purposes; one-half of which is $42,036.00, in round numbers; yet the Commission seeks to take $53,195. In my opinion there thus appears a clear confiscation of some $11,000.00; provided, the methods of valuation used by the Commission were not in accord with the rules and elements which serve to make up the law of the land. Since the matter of rate-making is not involved, I think the question is not one as to what money O'Fallon was allowed to keep, but one of what money was taken away from it. And this condition exists, regardless of whether the burdens and restrictions put upon the moiety of $42,036.00 left in O'Fallon's hands constitute confiscation of that money or not.

I am unable to avoid the conclusion that the restrictions put by Section 15a of the Transportation Act on the use [fol. 186] of that one-half of the surplus of annual earnings above 6 per cent, which is left in the carrier's hands, is at least a form of confiscation. But it is not, in my opinion, necessary, to decide whether such burdens and restrictions saddled by the act on this moiety constitute confiscation. The matter well may be permitted to rest on the taking of the $11,000.00, through an alleged application of illegal elements in reaching the value of O'Fallon's properties used in the service of transportation.

If the alleged fact of confiscation includes the contention that such confiscation exists here because the O'Fallon's physical properties were not valued by a consideration of the identical elements used in valuing real estate and ordinary chattels, I think the answer lies in the inherent differences in the nature of the two sorts of properties. And that confiscation does not arise from the mere fact of the use of different methods. Certainly, this is true if in their nature the two sorts of properties cannot be valued fairly as to either; if the identical rules be used, I am of the opinion that the latter situation is presented by the facts, for reasons and conclusions I have hurriedly set down.

The question here, I repeat, is one of valuation for recapture-of-profits purposes and not one of valuation for rate-making purpose. The matter of valuation for rate-making purposes is involved incidentally and in a way adventitiously only. With deference, then, I am of the

view that this court cannot avoid the necessity of meeting the question of legal methods of valuation, vel non, face to face. Again with deference, I am constrained to the view that what was said in the case of Dayton-Goose Creek [fol. 187] Ry. v. United States, 263 U. S., l. c. 486, was obiter dictum, and clearly meant to be so, by the distinguished and learned writer of that opinion. Moreover, in the Dayton-Goose Creek case the correctness of the valuation was not attacked, but at least tacitly conceded.

No excusable reason exists for adding to the length of these views by setting out the reasons for the positions I take, upon the below propositions. I content myself by saying that my opinion is: (a) That from the case of Smythe v. Ames, 169 U. S., l. c. 546, 547, to the last utterance of the Supreme Court of the United States, no hard and fast rule has ever been laid down by that court touching the manner of the valuation of the properties of railroads, used in the service of transportation; (b) that the provisions of Sections 15a of the Transportation Act and 19a of the Interstate Commerce Act, as amended, are parts of "the law of the land," to which some reference must be made and much deference must be given; (c) that Section 15a of the Transportation Act, considered, as it requires, in connection with Section 19a of the Interstate Commerce Act, as amended, inevitably contemplates, both from the language used and from the standpoint of practicability, one basic valuation which shall stand as such so long as the law itself shall continue in force; (d) that to this basic valuation and in order to keep it up to date, there must be annually added increments accruing to capital, on the basis of the prudent investment value of such increments; (e) therefore, a valuation arrived at by the sole use of either the prudent investment theory bottomed upon cost when constructed, or upon the theory of the present cost of reproduction new, less depreciation, would work [fol. 188] presently to the public and eventually to the carriers themselves such monstrous inequity, as to preclude wholly the use of either of such methods exclusively, and eliminate the notion that Congress contemplated the exclusive use of either of such methods; (f) that the Transportation Act and the apposite provisions of the Interstate Commerce Act constitute a radical departure from

ancient policies, by which, in a way, the United States went into a sort of partnership with all of the carriers affected by it, but yet left other and local public utilities, though impressed with a public interest, wholy unaffected by the Act; (g) that this difference is inherent and arises inter alia from the absolute necessity annually to value the properties of all carriers subject to the provisions of the act (and which, as to many of them, would be physically and wholly impossible, without using a basic value fixed once for all time), and the lack of necessity so to value annually, if ever, local light, power, gas, water, telephone and other such public utilities; (h) that the "law of the land," considered apart from the provisions of the Transportation Act and Sections 15a and 19a of the Interstate Commerce Act and excluding pretium affectionis as irrelevant, provides but two tests, or measures of value, to wit, value in use and value in exchange; (i) that the test of value in use is inapplicable because of the provisions of the Transportation Act and Sections 15a and 19a supra (now allocated in the Code to the Interstate Commerce Act), and because, for rate-making purposes, it involves the so-called vicious circle, whereby the more a carrier earns the more it would be entitled to earn, and so hence to infinity; (j) that for all practicable purposes, value in exchange can- [fol. 189] not be considered because of the conceded impossibility of procuring a buyer for a great railroad property, at its actual value or at either its prudent investment value, or its value arrived at by taking the present reproduction cost, less depreciation; (k) that value in exchange is tantamount to fair and reasonable market value, which is made up of expert opinion, but which is not necessarily dependent upon either original cost or the cost of reproduction new at the time of sale, or at the time of the valuation, and (l) therefore, the value of the physical properties of a common carrier under the recapture provisions of the Interstate Commerce Act ought to be the net result of expert opinion, reasonably and honestly exercised (and informed by a consideration of the information required by statute to be obtained), as is to be deduced from a fair analysis of the items considered and of the methods employed in the valuation, and the items considered and the

methods employed should, in addition to the use in the valuation of the statutory information (Sec. 19a Subdivision [b], Interstate Commerce Act, as amended Feb. 28, 1920, and June 7, 1922), take into consideration the average of known price-levels for both labor and materials over a fair term of years preceding the valuation, as well as for a fair term of years thereafter, based on the trend of such levels according to historical observation and human experience.

Concededly, as to ordinary goods and chattels, as well as to real estate (touching which latter the doctrine of present value was followed, and as to which there is here no controversy), the owner, as he must bear decreases in [fol. 190] value, or price, is, by the same token, entitled to all increases in value. This, as to such commodities, may be conceded to be "the law of the land." But all such commodities have either or both value in use and value in exchange; nor are they hedged about by the provisions of the Transportation Act and the apposite clauses of the Interstate Commerce Act. Railroads are under the existing law and policy governed by these acts, and they have (certainly for rate-making purposes, and the identical yardstick, perforce these acts measure and govern both rate-making and recapture bases values), neither value in use as to the sole test of value, nor value in exchange.

Obviously, the statute itself (Sec. 19, supra), in requiring examination, in the work of valuation, into "the net and gross earnings" of the railroad being valued, fairly commands consideration of the element of value in use. But the element of value in use is not the sole test enjoined, either under the above statute, or outside of it, and by the law of the land. I think it must be conceded that carriers, under the recapture provisions of the Transportation Act, have a value in use. But such value is not the sole test; it is only to be considered among other things. If it were the sole test, then since, upon what I conceive to the the weight of authority and the reason of the thing, it cannot be so used in valuation for rate-making purposes, it would be necessary to take the arbitrary view that valuation for recapture-of-profits purposes is paramount. For but one valuation for both purposes is contemplated by the statutes. Certainly, it was not intended by the Con-

[fol. 191] gress that separate valuations employing different elements of value should be made.

Briefly, I am constrained to reach some of these views from the fact that, perforce the provisions of Section 15a of the Interstate Commerce Act, the Commission is permitted to "utilize the results of its investigation under section 19a of this act, so far as deemed by it available." As aids to the valuation of the "property owned or used by every common carrier," under the provisions of section 19a of the act, a vast amount of information is required to be obtained by the Commission, embracing, inter alia, original cost to date; the cost of reproduction, less depreciation; an analysis of the methods by which such costs are obtained, and the reasons for any existing differences, if any; the history and organization of the present or any predecessor corporation; any increase or decrease of stocks, bonds or other securities and the money received therefor; the net and gross earnings of the corporation; the moneys expended and for what purpose expended; the amount and value of any aid, gift, donation, or grant of right of way, by any individual or by the government, any state, county or other municipality, as well as the disposition thereof and or of the money derived therefrom. (See Subdivisions First, Second, Third, Fourth and Fifth of Sec. 19a, supra.)

Paragraph (f) of subdivision fifth of section 19a, supra, says, "upon the completion of the valuation herein provided for the Commission shall thereafter in like manner keep itself informed of all extensions and improvements, or other changes in the condition and value of the property of all common carriers, and shall ascertain the value [fols. 192-194] thereof, and shall from time to time revise and correct its valuations, * * * which valuations, both original and corrected, shall be tentative valuations." But tentative alone in the sense, that notice thereof must be given and protests, if any, heard; but upon giving notice, as provided for in paragraph (h) of subdivision fifth of section 19a, supra, and absent protest, from either the state or the carrier itself, within thirty days, such valuation becomes final.

Upon the above provision, and upon the obvious physical fact, that the annual valuations, which must be made for recapture-of-profits purposes, would, as to a great railroad

system, be so impracticable as to be impossible and would thus utterly preclude the enforcement of the recapture provisions of the act (which provisions are characterized as the heart of the act), I base the conclusion that a basic valuation once for all time must inevitably have been contemplated by the Congress.

For the above reasons and conclusions, I am not convinced that the Commission erred, but am of the opinion that it reached the valuation found by it in the only way possible, in a situation so difficult as that absolute certainty and correctness is well-nigh finitely impossible. Therefore I concur in the result.

(Signed) Faris, District Judge.

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[fol. 195] IN UNITED STATES DISTRICT COURT

THE ST. LOUIS AND O'FALLON RAILWAY COMPANY and MANUFACTURERS RAILWAY COMPANY, Petitioners,

v.

UNITED STATES OF AMERICA and INTERSTATE COMMERCE COMMISSION (NATIONAL CONFERENCE ON VALUATION OF AMERICAN RAILROADS, Intervenor)

Before the Honorable Kimbrough Stone and the Honorable Arba S. Van Valkenburgh, United States Circuit Judges, and the Honorable Charles B. Faris, United States District Judge, sitting in the District Court Pursuant to urgent Deficiencies Act of October 22, 1913 (33 Stat. 219)

Final Decree—Filed Dec. 19, 1927

This cause came on to be heard and was argued by counsel; and thereupon, upon consideration thereof, it was ordered, adjudged and decreed as follows:

First. The objection of the United States including the motion in its answer to strike paragraph (13), subparagraph (a) to (d), inclusive, from the petition, which [fol. 196] challenge and deny the jurisdiction of the court

to review that part of the finding and order of the Commission that petitioners "were not a group of carriers under common control and management and operated as a single system within the meaning of paragraph (6) of Section 15-a" shall be and the same are hereby severally overruled.

Second. That so much and such part of the order of the Interstate Commerce Commission dated February fifteenth, 1927, in the proceeding entitled "Finance Docket No. 3908, Excess Income of St. Louis & O'Fallon Railway Company," as provides and directs the payment of interest for periods of time prior to May seventeenth, 1927, be and the same is hereby cancelled and annulled; and the defendants and each of them, their officers, attorneys and agents, are hereby permanently enjoined from collecting or attempting to collect interest for the periods aforesaid; and the order of the Commission is in all other respects sustained.

Third. As to all other relief, the prayer of the petition is denied and the petition is dismissed for want of equity at the cost of the petitioners.

By the Court.

(Signed) Kimbrough Stone, Arba S. Van Valkenburgh, United States Circuit Judges. C. B. Faris, United States District Judge.

St. Louis, December 19, 1927.

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[fol. 197] In United States District Court,

Minute Entry of Lodging of Exhibits—January 9, 1928

Now on this day there is received and lodged defendant's exhibits 1 to 33, inclusive, and petitioner's exhibits A and B and Nos. 1 to 24, inclusive, heretofore introduced at the hearing of this cause.

[fol. 198] In United States District Court

Minute Entry of Filing of Notice of Appeal—February 8, 1928

Now on this day come the St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company, plaintiffs herein, and file their notice of appeal to the Supreme Court of the United States from the decree signed, filed and entered in the above entitled cause on the 19th day of December, 1927, which notice is directed to the United States of America, Interstate Commerce Commission, defendants, North T. Gentry, Attorney General of the State of Missouri and Oscar E. Carlstrom, Attorney General of the State of Illinois.

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[fol. 199] In United States District Court

Notice of Appeal—Filed Feb. 8, 1928

To United States of America, Interstate Commerce Commission, Honorable North T. Gentry, Attorney General of the State of Missouri, and Honorable Oscar E. Carlstrom, Attorney General of the State of Illinois.

You and each of you are hereby notified that The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company, Petitioners and Appellants in the above entitled cause, do hereby on this 8th day of February, 1928, appeal from the decree signed, filed and entered in the above entitled cause on the 19th day of December, 1927, being that certain suit entitled "In Equity, No. 7859", wherein The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company are Petitioners and Appellants, and United States of America and Interstate Commerce Commission are Defendants and Appellees, said appeal being to the Supreme Court of the United States.

The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company. (Signed) by Fredrick H. Wood, Robert H. Kelly, Leslie Craven, Daniel N. Kirby, Solicitors for said Petitioners (Appellants).

Dated February 8, 1928.

[fol. 200] Acknowledgements of Service

Copy received and service acknowledged this 10th day of Feby, 1928.

(Signed) William D. Mitchell, Solicitor General of the United States. Oliver E. Sweet, Attorney for Interstate Commerce Commission.

Copy received and service acknowledged this 15th day of February, 1928.

(Signed) North T. Gentry, Attorney General of Missouri.

Copy received and service hereof acknowledged this 18th day of February, 1928.

(Signed) Oscar E. Carlstrom, Attorney General of Illinois, by A. D. Rodenberg, Asst. Atty. Genl. of Illinois.

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[fol. 201] In United States District Court

Minute Entries of Feb. 8, 1928

(Citation Issued and Filed

Now on this day, a citation is issued and filed, directed to defendants, citing and admonishing them to be and appear in the Supreme Court of the United States within thirty (30) day from and after this date.

(Petition for Order Enlarging Time

Now on this day come plaintiffs in the above entitled cause and file and present to the Court their petition for an order enlarging the time within which to docket the case and file the record on appeal thereof in the Supreme Court of the United States to and including April 9, 1928.

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[fol. 202] In United States District Court

Petition for Appeal—Filed Feb. 8, 1928

To the Honorables the above-named Judges:

The above named Petitioners conceiving themselves aggrieved by the decree made and entered in the above en-

titled cause on December 19, 1927, do hereby appeal from said decree, to the Supreme Court of the United States, for the reasons set forth in the Assignments of Error which is filed herewith, and Petitioners pray that their appeal may be allowed, and that citation may be issued as provided by law, and that a transcript of the records, proceedings and papers upon which said decree was based, duly authenticated, may be sent to the Supreme Court of the United States, in accordance with the rules in such cases made and provided.

And Petitioners further pray that a proper order be made relating to the appeal bond to be given by Petitioners.

Frderick H. Wood, Robert H. Kelley, Leslie Craven, Daniel N. Kirby, Solicitors for Petitioners.

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[fol. 203] In United States District Court

Order Allowing Appeal—Filed Feb. 8, 1928

On this day came the petitioners, The St. Louis and O'Fallon Railway Company and the Manufacturers' Railway Company by Messrs. Frederick H. Wood, Robert H. Kelley, Leslie Craven, and Daniel N. Kirby, their solicitors, and filed and presented their Petition for Appeal and their Assignment of Errors. Upon consideration thereof, it is now ordered and adjudged:

That said "Petition for Appeal" and "Assignment of Errors" be considered as duly filed; that an appeal to the Supreme Court of the United States from the decree heretofore entered in the above entitled cause, be, and the same is hereby, allowed to said Petitioners; and that a certified transcript of the record, testimony, exhibits, stipulations, and all proceedings, be transmitted in due course to said Supreme Court of the United States. It is further ordered, that the bond on appeal be fixed at the sum of Five Thousand Dollars ($5,000.00), the same to be and act as a bond for costs but not as a supersedeas. Thereupon, an appeal bond in the sum of Five Thousand Dollars ($5,000.00), wherein said Petitioners are principals and the Aetna Casualty and Surety Company is surety, and conditioned for

payment of costs, was presented for approval, and the same is hereby approved and ordered to be filed, and filed

Dated February 8th, 1928.

(Signed) Kimbrough Stone, Arba S. Van Valkenburgh, United States Circuit Judges. C. B. Faris, United States District Judges, constituting the United States District Court in the Above-entitled Cause.

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[fol. 204] IN UNITED STATES DISTRICT COURT

ASSIGNMENT OF ERRORS—Filed Feb. 8, 1928

Now comes The St. Louis and O'Fallon Railway Company, (hereinafter also called the "O'Fallon"), and Manufacturers' Railway Company, (hereinafter also called the "Manufacturers' "), Petitioners, and in connection with their petition for appeal, file the following assignments of error on which they will rely on their appeal to the Supreme Court of the United States from the final order or decree of the District Court entered December 19, 1927.

The District Court erred to the prejudice of Petitioners:

1. In dismissing the petition herein.

2. In holding that the order of the defendant, Interstate Commerce Commission (hereinafter called the "Commission"), of February 15, 1927, as modified by the decree of the Court, was valid and enforcible.

3. In failing and refusing to grant the prayer of the petition for an annullment of the said order of the Commission and for a perpetual injunction restrainnig the enforcement thereof.

4. In holding that the said order if enforced, will not deprive the Petitioners of their property without due process of law, in contravention of the Fifth Amendment of the Constitution of the United States.

[fol. 205] 5. In not holding that the said order of the Commission, if enforced, will deprive the Petitioners of their property without due process of law, in contraven-

tion of the Fifth Amendment to the Constitution of the United States, and is therefore null and void.

6. In holding that the verity of the Commission's valuation made in connection with its said order "need not be examined and cannot affect this recapture order," and that it was unnecessary for the Court to determine the various contentions made by the Petitioners concerning the proper manner of ascertaining the value of the property of Petitioners and each of them.

7. In dealing with the question of confiscation in regard to the respective amounts ordered to be paid to the Commission and set aside in a reserve fund, as though this were a confiscatory rate case in which the adequacy of the total return to the O'Fallon would be of moment, rather than a case in which money, lawfully the private property of the O'Fallon, is sought to be unlawfully taken, and in which the adequacy or inadequacy of the total return to the O'Fallon is immaterial.

8. In not holding that it was necessary, in order to determine the validity of the said order, to determine, by the exercise of the Court's independent judgment on the evidence introduced, whether the true value of the property of the O'Fallon was substantially in excess of the value found by the Commission.

9. In not holding the said order of the Commission to be null and void and unenforcible, by reason of the failure of the Commission to find and consider, and to give substantial weight to, the current cost of reproducing the property of the O'Fallon.

10. In not holding that it appeared upon the face of the said report and order of the Commission that the true value of the property of the O'Fallon as of the periods covered thereby and each of them, was substantially in excess of the value found by the Commission in its said report.

[fol. 206] 11. In not holding that it appeared from the uncontradicted evidence before the Commission, that the true value of the property of the O'Fallon as of the respective periods covered by said order, and each of them, was substantially in excess of the value found by the Commission in its said report.

12. In not holding that the said order of the Commission is void, because unsupported by the evidence before the Commission.

13. In not holding that said order of the Commission is void, because based upon erroneous principles of law.

14. In not holding that the said order of the Commission is void, because in determining the value of the property of the O'Fallon, upon which determination the said order was based, the Commission failed and refused to give due consideration to all the elements of value recognized by the law of the land for rate making purposes.

15. In not holding that the order of the Commission was void, because in making the same the Commission gave consideration to matters not in evidence before it, and to a substantial extent based its order upon such matters.

16. In not holding that the order of the Commission was void, because in excess of the statutory authority conferred upon the Commission.

17. In not holding that the true value of the O'Fallon's property held for and used in the service of transportation, substantially exceeded the value found by the Commission upon which its order is based.

18. In not holding the said order to be null and void because the amount directed to be paid to the United States thereunder exceeded one-half of the excess over six per cent (6%) on the true value of the property of the O'Fallon held for and used in the service of transportation.

19. In holding that the O'Fallon and the Manufacturers' [fol. 207] did not constitute a group of carriers under common control and management and operated as a single system.

20. In not holding that the Petitioners constituted a group of carriers under common control and management and operated as a single system.

21. In holding that the evidence before the Commission sustained the finding of the Commission that the Petitioners did not constitute a group of carriers under common control and management and operated as a single system.

22. In not holding that the finding of the Commission that the Petitioners did not constitute a group of carriers under common control and management and operated as a single system, was unsupported by the evidence before the Commission.

23. In holding that the establishment of rates under Section 15a of the Interstate Commerce Act, as amended by the Transportation Act,—so that carriers as a whole (or as a whole in each of such rate groups or territories as the Commission may from time to time designate), will, under honest, efficient and economical management and reasonable expenditures for maintenance of way, structures and equipment, earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used by such carriers in the service of transportation,—is not a prerequisite to the recapture of excess earnings under said Section 15a.

24. In not finding and holding, that during and for the period ending December 31, 1920, the Commission had not, under said Section 15a, so established rates, in the group in which the property of the O'Fallon, held for and used in the service of transportation, had been placed by the Commission under said Section, that the carriers therein earned an annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the [fol. 208] railway property of such carriers held for and used in the service of transportation; and that by reason thereof the provisions of said Section 15a governing the payment and disposition of excess earnings thereunder were inapplicable, and that the said order of the Commission, insofar as it related to said period ending December 31, 1920, was null and void.

25. In not finding and holding, that during and for the period ending December 31, 1921, the Commission had not, under said Section 15a, so established rates, in the group in which the property of the O'Fallon, held for and used in the service of transportation, had been placed by the Commission under said Section, that the carriers therein earned an annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value

of the railway property of such carriers held for and used in the service of transportation; and that by reason thereof the provisions of said Section 15a governing the payment and disposition of excess earnings thereunder were inapplicable, and that the said order of the Commission, insofar as it related to said period ending December 31, 1921, was null and void.

26. In not finding and holding, that during and for the period ending December 31, 1922, the Commission had not, under said Section 15a, so established rates, in the group in which the property of the O'Fallon, held for and used in the service of transportation, had been placed by the Commission under said Section, that the carriers therein earned an annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation; and that by reason thereof the provisions of said Section 15a governing the payment and disposition of excess earnings thereunder were inapplicable, and that the said order of the Commission, insofar as it related to said period ending December 31, 1922, was null and void.

[fol. 209] 27. In not finding and holding, that during and for the period ending December 31, 1923, the Commission had not, under said Section 15a, so established rates, in the group in which the property of the O'Fallon, held for and used in the service of transportation, had been placed by the Commission under said Section, that the carriers therein earned an annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation; and that by reason thereof the provisions of said Section 15a governing the payment and disposition of excess earnings thereunder were inapplicable, and that the said order of the Commission, insofar as it related to said period ending December 31, 1923, was null and void.

28. In holding that the recapture provisions of said section 15a were not invalid as a delegation of legislative power.

29. In not holding that the recapture provisions of Section 15a were invalid as a delegation of legislative power.

30. In holding that the reserve fund provisions of paragraph (6) of said Section 15a are valid, and, as applied by the Commission in said order, if enforced, will not deprive your Petitioner, the O'Fallon, of its property, without due process of law.

31. In not holding that the reserve fund provisions of said Section 15a were null and void, and will, if said order is enforced, deprive your Petitioner, the O'Fallon, of its property, without due process of law, in contravention of the Fifth Amendment to the Constitution of the United States; and that so much of said order as requires the establishment of a reserve fund by your Petitioner, the O'Fallon, is null and void.

32. In holding that so much of said order as applied to the period between March 1, 1920, and August 26, 1920, was valid.

33. In not holding that so much of said order as required the payment of excess earnings and the creation of a re- [fol. 210] serve out of the earnings of the O'Fallon, between March 1, 1920, and August 26, 1920, was null and void, and in excess of the statutory authority conferred upon the Commission.

34. In ruling that no evidence other than that offered before the Commission was admissible in Court.

35. In excluding, over the objection of the Petitioners, the evidence offered by the Petitioners, tending to show the true value of their property held for and used in the service of transportation.

36. In not holding that it was necessary, in order to determine the validity of the said order, to determine, by the exercise of the Court's independent judgment on the evidence introduced, and on the additional evidence offered by the Petitioners, whether the true value of the property of the O'Fallon was substantially in excess of the value found by the Commission.

37. In holding that interest is payable on the respective amounts ordered to be paid to the Commission as recapturable by it.

38. In holding that interest is payable beginning ninety days after the date of the Commission's order of February 15, 1927.

39. In not holding that no interest is recoverable for any period, prior to the date of the final decree.

40. In adjudging the costs of the District Court against the Petitioners.

Wherefore, the Petitioners, appellants, pray that said decree be reversed, and that said District Court of the United States for the Eastern Division of the Eastern Judicial District of Missouri be ordered to enter a decree reversing the decision of said District Court in said cause, and directing said District Court to enter a decree declaring the said order of the Interstate Commerce Commission to be void, and perpetually setting aside, suspending and annulling said order and the enforcement thereof.

[fol. 211] Frederick H. Wood, Robert H. Kelley, Leslie Craven, Daniel N. Kirby, Solicitors for Petitioners, Appellants.

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[fols. 212 & 213] Bond on appeal for $5,000 approved and filed Feb. 8, 1928, omitted in printing.

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[fol. 214] IN UNITED STATES DISTRICT COURT

PETITION FOR ORDER EXTENDING TIME TO FILE RECORD ON APPEAL—Filed Feb. 8, 1928

Now come the Petitioners, The St. Louis and O'Fallon Railway Company and the Manufacturer's Railway Company, by their Solicitors of record, and respectfully show:

That on, to-wit, December 19, 1927, there was rendered by your Honors a decree in the above entitled cause adverse to the Petitioners; that your Petitioners have been

allowed by your Honors an appeal to the Supreme Court of the United States, from said decree, and that citation returnable thirty days from February 8th, 1928, has been issued by your Honors to the defendants; that because the record is voluminous and because it contains a great number of statistical and other lengthly exhibits which must be condensed and digested for the preparation of the narrative statement of transcript, your Petitioners (Appellants) state that they will be unable by the return day of said citation to complete the work of assembling and preparing, and causing to be certified and filed, the Petitioners' praecipe and transcript herein on appeal.

Wherefore, Petitioners pray that they be granted an extension or enlargement of the time in which to file in the [fol. 215] Supreme Court of the United States, the record upon the appeal of the above entitled cause, and that they be allowed until and including April 9th, 1928, in which to complete and serve, and to file (in this Court) their praecipe, with narrative statement of evidence, and in which to cause the transcript of record to be completed, and in which to docket the case and to file the transcript of record thereof, with the clerk of the Supreme Court.

The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company, by Frederick H. Wood, Robert H. Kelly, Leslie Craven, Daniel N. Kirby, Their Solicitors of Record.

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IN UNITED STATES DISTRICT COURT

ORDER ENLARGING TIME WITHIN WHICH TO DOCKET CASE AND FILE THE RECORD THEREOF—Filed Feb. 8, 1928

[fol. 216] On this day came on for hearing the Application or Petition filed by the St. Louis and O'Fallon Railway Company and the Manufacturers' Railway Company, Petitioners in the above entitled cause, for an order extending the time within which to file the record on appeal and to docket the case, and it appearing that the record is voluminous and that additional time is required to assemble, prepare and certify the transcript thereof on appeal, and for other good cause shown to the Court,

It is ordered, that the time within which the St. Louis and O'Fallon Railway Company and the Manufacturers' Railway Company (Petitioners in the District Court, and Appellants in the Supreme Court of the United States) shall complete and serve and file in said District Court their praecipe, and to file their narrative statement of evidence, and in which to cause the transcript of record to be completed and in which to docket the case and file the record thereof with the clerk of the Supreme Court, be, and it is hereby, enlarged to and including April 9th, 1928.

(Signed) Kimbrough Stone, Arba S. Van Valkenburgh, Circuit Judges. C. B. Faris, District Judge.

Dated February 8th, 1928.

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[fol. 217] IN UNITED STATES DISTRICT COURT

MINUTE ENTRY OF FILING OF NOTICE OF CROSS-APPEAL—February 16, 1928

Now on this day come defendants in the above entitled cause by their respective solicitors and file herein their notice to the Attorney General of the State of Missouri of the Cross appeal to the Supreme Court of the United States, and also notice by defendants to plaintiffs of cross appeal to the Supreme Court of the United States, together with assignment of errors on such cross appeal. Whereupon a citation is issued and filed, directed to plaintiffs, citing and admonishing them to be and appear in said Supreme Court within thirty (30) days from and after this day, which citation is duly acknowledged by solicitors for plaintiffs and filed. And now defendants file herein their praecipe for transcript of the record on cross appeal, service of such praecipe being acknowledged by solicitors for plaintiffs.

[fol. 218] IN UNITED STATES DISTRICT COURT

NOTICE OF APPEAL—Filed Feb. 16, 1928

To the Honorable North Todd Gentry, Attorney General of the State of Missouri:

You are hereby notified that the defendants, United States of America and Interstate Commerce Commission, have taken an appeal from a certain specified part of the final order or decree of the District Court, entered December nineteenth, 1927, to the Supreme Court of the United States, pursuant to notice duly filed in the office of the clerk of the District Court. This notice is given to you pursuant to Urgent Deficiencies Act, October 22, 1913 (38 Stat. 221).

(Signed) Louis H. Bruer.

Service of a copy of the foregoing notice is hereby admitted and acknowledged this 16th day of February, 1928.

(Signed) North T. Gentry, Attorney General of the State of Missouri.

[File endorsement omitted.]

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[fol. 219] IN UNITED STATES DISTRICT COURT

NOTICE OF APPEAL BY THE UNITED STATES AND INTERSTATE COMMERCE COMMISSION—Filed Feb. 16, 1928

To the St. Louis & O'Fallon Railway Company and Manufacturers Railway Company, Petitioners and Appellants:

You and each of you are hereby notified that United States of America and Interstate Commerce Commission, defendants and appellees in the above-entitled cause, feeling themselves aggrieved by so much or such part of paragraph Second of the final order or decree of the District Court made and entered December nineteenth, 1927, as provides—

That so much and such part of the order of the Interstate Commerce Commission dated February fifteenth, 1927, in the proceeding entitled "Finance Docket No. 3908,

Excess Income of St. Louis & O'Fallon Railway Company," as provides and directs the payment of interest for periods of time prior to May seventeenth, 1927, be and the same is hereby cancelled and annulled; and the defendants and each of them, their officers, attorneys and agents, are hereby permanently enjoined from collecting or attempting to collect interest for the periods aforesaid;

appeal therefrom, on this fifteenth day of February, 1928, to the Supreme Court of the United States

(Signed) Louis H. Breuer, United States Attorney. Blackburn Esterline, Assistant to the Solicitor General. Walter L. Fisher, P. J. Farrell, Solicitors for Interstate Commerce Commission.

[fol. 220] Service of a copy of the within and foregoing notice of appeal is hereby made and acknowledged this fifteenth day of February, 1928.

(Signed) Frederick H. Wood, Robert H. Kelley, Lester Craven, and Daniel N. Kirby, Solicitors for the St. Louis & O'Fallon Railway Company and Manufacturers Railway Company, Petitioners-Appellants.

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[fol. 221] In United States District Court

Assignment of Errors—Filed Feb. 16, 1928

United States of America and Interstate Commerce Commission, defendants, now come, by their respective counsel, and in connection with their petition for cross-appeal file the following assignment of errors on which they will rely on their cross-appeal to the Supreme Court of the United States.

The District Court erred:

I. In deciding, holding and adjudging as follows:

The section (par. 6) requires one-half of the excess earnings to be paid over to the commission "within the first four months following the close" of the recapture period. Evidently it was upon such provision that the commission

based its claim of power and right to require interest from the end of such four months' period. While this provision obligated the carrier to pay over within the four months, yet where there is, as here, a bona fide contention that there was no excess earned, no liability for interest could arise until it had been ascertained whether and in what amount there was an excess to be paid over.

The carrier contends that such liability is not ascertained, or liquidated, until it has been determined judicially. We think the section (pars. 4, 6, and 9) made it the duty of the commission to determine the amount due and that, where there is a dispute, such determination is a liquidation of such for interest purposes

Therefore, the commission erred in requiring interest from four months after the respective recapture periods but not in requiring interest. The order should be modified to require interest from the date when, under the order, the payments found due by the order should be made—this was 90 days after date of the order, entered February 15, 1927.

II. In deciding holding and adjudging as follows:

The order should be modified to allow interest on each of the amounts found by the commission from June 17, 1927, and as thus modified should be sustained.

III. In cancelling and annulling so much and such part of the order of the Interstate Commerce Commission dated [fol. 222] February fifteenth, 1927, in the proceeding entitled "Finance Docket No. 3908, Excess Income of St. Louis & O'Fallon Railway Company" as provides and directs the payment of interest for periods of time prior to May 17, 1927, and in permanently enjoining the defendants and each of them, their officers, attorneys and agents, from collecting or attempting to collect interest for the periods aforesaid.

IV. In entering the following decree:

That so much and such part of the order of the Interstate Commerce Commission dated February fifteenth, 1927, in the proceeding entitled "Finance Docket No. 3908,

Excess Income of St. Louis & O'Fallon Railway Company," as provides and directs the payment of interest for periods of time prior to May seventeenth, 1927, be and the same is hereby cancelled and annulled; and the defendants and each of them, their officers, attorneys and agents, are hereby permanently enjoined from collecting or attempting to collect interest for the periods aforesaid: * * *.

Wherefore, defendants, and each of them, pray that so much and such part of paragraph Second of the final order or decree of the District Court made and entered December nineteenth, 1927, in this cross-appeal mentioned, be reversed, annulled and set aside, with directions that the permanent injunction shall be dissolved and the petition dismissed; and for such other and further order as may be appropriate.

(Signed) Louis H. Breuer, United States Attorney. Blackburn Esterline, Assistant to the Solicitor General. Walter L. Fisher, Solicitor for Interstate Commerce Commission.

February 6, 1928.

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[fol. 223] In United States District Court

Præcipe for Transcript of Record—Filed Feb. 16, 1928

To the Clerk:

Please prepare a transcript of the record in the above-entitled cause in the matter of the appeal of the United States of America and Interstate Commerce Commission, and include therein in the order given below, the following matter.

1. Petition with Exhibits A and B attached thereto.

2. Separate answers of the United States and Interstate Commerce Commission.

3. Order, October 5, 1927, amending petition and directing that answers shall stand as answers to amended petition.

4. Order, September 26, 1927, convoking the specially-constitued District Court for hearing of the cause on October 5, 1927.

5. The opinions of the District Court.

6. Final decree.

7. All journal entries in their appropriate order.

8. Notice of appeal with acknowledgement thereon of services on opposing counsel.

9. Notice to the Attorney General of the State of Missouri.

9-a. Assignment of errors.

10. Præcipe for record.

[fol. 224] 11. Citation.

[Signed] Louis H. Breuer, United States Attorney. Blackburn Esterline, Assistant to the Solicitor General. Walter L. Fisher and R. J. Farrell, Solicitors for Interstate Commerce Commission.

Service of the foregoing præcipe for record and the receipt of a copy thereof are hereby admitted and acknowledged this 16th day of February, 1928.

Frederick H. Wood, Robert H. Kelley, Læslie Craven, Daniel N. Kirby, Solicitors for Appellees.

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[fol. 225] In United States District Court

Order Enlarging Time, etc.—February 16, 1928

It appearing that the record is voluminous and additional time has been allowed to the petitioners-appellants in which to assemble, prepare and procure the certification of the transcript thereof on appeal, and for other good cause shown——

It is ordered that the time within which the United States of America and Interstate Commerce Commission (defendants-appellees) shall docket the case and file the record thereof with the Clerk of the Supreme Court of the United

States also be, and it is hereby, enlarged to and including Monday, April ninth, 1928.

C. B. Faris, United States District Judge.

February 16th, 1928.

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[fol. 226] In United States District Court

Minute Entry—February 24, 1928

Now on this day there is filed herein acknowledgments of service on notice of appeal and citation by counsel for defendants, as well as the Attorney General of the State of Missouri and the Attorney General of the State of Illinois.

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[fol. 227] In United States District Court

Petition for Order Further Extending Time to File Record on Appeal—Mar. 31, 1928

Now comes the Petitioners, The St. Louis and O'Fallon Railway Company and the Manufacturers' Railway Company by their solicitors of record, and respectfully show:

That on, to wit, December 19, 1927, there was rendered by your Honors a decree in the above entitled cause adverse to the Petitioners; that Petitioners have been allowed by your Honors an appeal to the Supreme Court of the United States from said decree, and that heretofore on February 8, 1928, at the instance of Petitioners, your Honors made and entered of record in the above entitled cause, an order extending to and including April 9, 1928, the time within which Petitioners (being Appellants in the Supreme Court of the United States) shall complete and serve and file in said District Court, their præcipe, and to file their narrative statement of evidence, and to cause the transcript of record to be completed, and in which to docket the case and to file the record thereof with the Clerk of the Supreme Court.

That notwithstanding due diligence on the part of Petitioners in preparing their said narrative statement of evidence, they have found the record so voluminous, and the statistical and other lengthy exhibits so difficult of con-
[fol. 228] densed statements, that they have not been able, and will not be able, within the time extended as above stated, to complete their said appeal.

That Petitioners believe they will be able within a period extended to and including May 9, 1928, to complete their said appeal, and therefore they respectfully pray that they be granted a further extension or enlargement of the time in which to file in the Supreme Court of the United States the record upon the appeal by Petitioners of the above entitled cause, and to file (in this Court) their præcipe with narrative statement of evidence, and in which to cause the transcript of record to be completed, and in which to docket said cause in the Supreme Court, and to file with the Clerk thereof the transcript of record in said cause.

The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company, by Frederick H. Ward, Robert H. Kelley, Leslie Craven, Daniel N. Kirby, their Solicitors of Record.

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[fol. 229] In United States District Court

Order Further Enlarging Time Within Which Petitioners (Appellants) Are to Docket Case and File the Record Thereof—Filed Mar. 31, 1928

On this day came on for hearing the application or petition filed by The St. Louis and O'Fallon Railway Company and the Manufacturers' Railway Company, Petitioners in the above entitled cause, for an order further extending the time within which to file the record, and to docket the same, and it appearing that the record is voluminous and that additional time is required to assemble, prepare and certify the transcript thereof on appeal, and for other good cause shown to the Court,

It is ordered that the time within which The St. Louis and O'Fallon Railway Company and the Manufacturers' Railway Company (Petitioners in the District Court and

Appellants in the Supreme Court of the United States) shall complete and serve and file in said District Court, their præcipe, and to file their narrative statement of evidence, and in which to cause the transcript of record to be completed, and in which to docket the case and file the record thereof with the Clerk of the Supreme Court, be, and it is hereby, enlarged to and including May 9, 1928.

(Signed) Kimbrough Stone, Arba S. Van Valkenbugh, Circuit Judges. C. B. Faris, District Judge.

Dated Mar. 31, 1928.

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[fol. 230] In United States District Court

Order Enlarging Time Within Which to Docket Case and File the Record Thereof—Filed April 12, 1928

It appearing that the record is voluminous and additional time has been allowed to the *patitioners*-appellants in which to assemble, prepare and procure the certification of the transcript thereof on apepal, and for other good cause shown——

It is ordered that the time within which the United States of America and Interstate Commerce Commission (defendants-appellees shall docket the case and file the record thereof with the Clerk of the Supreme Court of the United States also be, and it is hereby, enlarged to and including Wednesday, May ninth, 1928.

(Signed) C. B. Faris, United States District Judge.

April 5th, 1928.

Office Supreme Court, U. S. Filed April 7, 1928. Charles Elmore Cropley, Clerk.

A true copy. Test: (Signed) Charles Elmore Cropley, Clerk of the Supreme Court of the United States. (Seal.)

[fol. 231] IN UNITED STATES DISTRICT COURT

MINUTE ENTRIES

Record Entry of April 23, 1928

Now on this day there is lodged herein, under equity Rule 75-b, petitioners narrative and condensed statement of the evidence on final hearing before Hon. Kimbrough Stone, Hon. Arba S. Van Valkenburgh, Circuit Judges, and Hon. C. B. Faris, District Judge.

[fol. 232] Record Entry of May 2, 1928

Now on this day come the parties in the above entitled cause and file herein their stipulation in relation to amendments and additions for inclusion in petitioners narrative and condensed statements of the evidence heretofore lodged herein, and such amendments and additions attached to said stipulation, lodged.

[fol. 233] Record Entry of May 4, 1928

Now on this day come petitioners in the above entitled cause and in substitution for their narrative and condensed statement lodged with the Clerk on April 23, 1928, lodge herein a revised agreed narrative and condensed statement of the evidence.

[fol. 234] Record Entry of May 7, 1928

Now on this day come the parties in the above entitled cause and file herein their stipulated agreed narrative and condensed statement of the evidence as approved by the Court, as well as stipulation thereto attached.

And come also said parties and file herein their stipulation providing that the order of the Court approving said narrative and condensed statement of the evidence and the stipulation referred to in said order, shall be included in the record to be settled on appeal as a part of item 7 of the praecipe of petitioners.

Now on this day come petitioners in the above entitled cause and file herein their praecipe for transcript of the record on appeal to the Supreme Court of the United

States, with acknowledgment of service thereon by Blackburn Esterline, Assistant to the Solicitor General for the United States of America, Walter L. Fisher and Oliver E. Sweet, Solicitors for defendant, Interstate Commerce Commission, and proof of service upon P. J. Farrell, Chief Counsel of defendant, Interstate Commerce Commission.

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[fol. 235] In United States District Court

Order Approving Narrative Statement of Evidence—Filed May 7, 1928

Now this cause coming on to be heard upon the approval of the narrative and condensed statement of the evidence herein,

It is ordered that the narrative and condensed statement of the evidence lodged with the Clerk by stipulation of the parties on the 4th day of May, 1928, be and the same is hereby approved, and the Clerk is directed to include said stipulation and narrative statement in his transcript of the record on appeal to be sent to the Supreme Court of the United States.

[Signed] Kimbraugh Stone, U. S. Circuit Judge.
Arba S. Van Valkenburgh, U. S. Circuit Judge.
C. B. Faris, U. S. District Judge.

May 5th, 1928.

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[fol. 236] In United States District Court

Stipulation re Transcript—Filed May 7, 1928

By their respective counsel, the parties stipulate:

That the order of the Court approving narrative and condensed statement of the evidence herein and the stipulation referred to in said order shall be included in the Record to be certified on appeal as a part of Item 7 of the praecipe.

(Signed) Frederick H. Wood, Robert H. Kelley, Leslie Craven, Daniel N. Kirby, Solicitors for Pe-

titioners-appellants. Louis H. Breuer, United States Attorney, Blackburn Esterline, Assistant to the Solicitor-General, for the United States of America. Walter L. Fisher, Oliver E. Sweet, Roland J. Lehman, Solicitors for the Interstate Commerce Commission.

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[fol. 237] In United States District Court

Petitioners' (Appellants') Precipe for Transcript of Record—Filed May 7, 1928

To the Clerk of said Court:

Please prepare a transcript of the record in the above entitled cause in the matter of the appeal of the petitioners, and include therein in the order given below the following matter, viz:

1. The Petition and Exhibits thereto, as amended pursuant to order made by the Court at Kansas City, Missouri, October 5, 1927. This amendment consists of the interlineation of the words,

"and was not less than, to-wit, One Million Three Hundred and Fifty Thousand Dollars ($1,350,000.00),"

in paragraph number (23) of said Petition, after the word "Commission" and before the word "and." Also, the order of October 5, 1927, allowing this amendment, and directing that the answers of defendants to the original Petition shall stand as answers to the Petition as amended.

[fol. 238] 2. The Writ of Subpœna returnable June 2, 1927, and the Marshal's returns thereon showing service thereof, filed May 5, 1927, and May 14, 1927.

3. The separate Answer of the defendant, Interstate Commerce Commission.

4. The separate Answer of the defendant, United States of America.

5. The Order of Honorable C. B. Faris, District Judge, September 26, 1927, organizing the Court.

6. The Supplemental Petition, filed by leave October 5, 1927.

7. Transcript of the record of the evidence in proceedings before the Court, including the testimony of the witnesses offered by counsel for the petitioners (or in lieu thereof any narrative and condensed statement agreed upon by the parties and/or approved by the Court).

8. Order of final submission.

9. The Opinions of the Judges constituting the District Court.

10. The final decree.

11. All journal entries in their appropriate order.

12. Petitioners' Petition for Appeal.

13. Petitioners' Assignment of Errors.

[fol. 239] 14. Petitioners' Notice of Appeal, with acknowledgment thereon of service on opposing counsel and on the Attorneys General of Missouri and Illinois.

15. Citation issued at the instance of Petitioners, with acknowledgment thereon of service on the defendants and on the Attorneys General of Missouri and Illinois.

16. Petitioners' Appeal Bond.

17. All petitions for and orders enlarging time to file record on appeal.

18. Præcipe for record.

(Signed) Frederick H. Wood, Robert H. Kelley, Leslie Craven, Daniel N. Kirby, Solicitors for Petitioners.

Service of the foregoing Præcipe for record, and the receipt of copy thereof, are hereby admitted and acknowledged this 23rd day of April, 1928.

(Signed) Blackburn Esterline, Assistant to the Solicitor General, for U. S. A. Walter L. Fisher, Oliver E. Sweet, Solicitors for Defendant Interstate Commerce Commission.

[fol. 240] [Title omitted]

DISTRICT OF COLUMBIA, ss:

Richard H. Wilmer, being first duly sworn according to law, upon oath deposes and says that he is a member of the bar of the Supreme Court of the District of Columbia and the Supreme Court of the United States, that he is associated with Frederick H. Wood of New York, N. Y., one of the solicitors for the Petitioners-appellant in the above-entitled cause, and that on the 23rd of April, 1928, he personally delivered to, left with, and served upon P. J. Farrell, Chief Counsel of one of the defendants herein, the Interstate Commerce Commission, and Oliver E. Sweet, one of the counsel for the defendant Interstate Commerce Commission, copies of the hereto attached Præcipe; that P. J. Farrell refused to acknowledge in writing the receipt of the Præcipe, although requested by Deponent to do so. He stated that he had no knowledge of the matters stated in the Præcipe and suggested that Oliver E. Sweet might acknowledge receipt of the copy of the præcipe if he cared to do so. Thereupon Oliver E. Sweet in writing acknowledged receipt of copy of the Præcipe.

Richard H. Wilmer.

Subscribed and sworn to before me this 26th day of April, 1928. Francis R. Kirkham, Notary Public, D. C. (Notarial Seal.)

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[fol. 241] IN UNITED STATES DISTRICT COURT

ORDER DIRECTING CLERK TO SEND PETITIONER'S EXHIBIT 3 TO SUPREME COURT OF THE UNITED STATES—Filed May 7, 1928

Now on this day the Petitioners by their solicitors having suggested to the undersigned Judges constituting the District Court in the above entitled cause, the propriety of transmitting to the Supreme Court of the United States for inspection of the same in said Court upon the appeal of the above entitled cause, and it being proper in the opinion of said Judges including the Presiding Judge of this

District Court, that said original of said Exhibit 3 should be inspected in the Supreme Court:

Now, therefore, pursuant to the provisions of paragraph 3 of Rule 9 of the Revised Rules of the Supreme Court of the United States,

It is ordered, That the Clerk of this District Court transmit in such manner as he may deem proper, to the Clerk of the Supreme Court, the original paper introduced in evidence upon the trial in said District Court of the above entitled cause, and entitled, "Petitioners' Exhibit No. 3," being a certified copy of the record of the proceedings and exhibits before the Interstate Commerce Commission in the proceedings in which the Commission issued its recapture order under attack in this case, including the order and report of the Commission, a transcript of all the evidence, [fol. 242] oral and documentary, taken by the Commission before the making of its final report and order, and such incidental matters and documents as make up the complete record, certified by the Secretary of the Commission as being all of the record of the proceedings before the Commission, except the briefs, exceptions to the proposed report, and oral argument, said original paper or exhibit to remain lodged in the Supreme Court of the United States until the argument and final decision by said Supreme Court of the appeal in the above entitled cause, and thereafter to be returned to the Clerk of this District Court.

(Signed) Kimbrough Stone, U. S. Circuit Judge.
Arba S. Van Valkenburgh, U. S. Circuit Judge. C. B. Faris, U. S. District Judge.

Dated May 5th, 1928.

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[fol. 243] Clerk's certificate to foregoing transcript omitted in printing.

[fol. a] [File endorsement omitted]

[fol. b] IN UNITED STATES DISTRICT COURT

[Title omitted]

STIPULATION RE NARRATIVE STATEMENT OF EVIDENCE

By their respective counsel, the parties stipulate:

That the document attached hereto is a complete and accurate narrative and condensed statement of the evidence herein, and that after the approval thereof by the Court, the Clerk shall file the same as so approved and shall include the same in the record on the appeal.

Frederick H. Wood, Robert H. Kelley, Leslie Craven, Daniel N. Kirby, Solicitors for Petitioners-appellants, Louis H. Breuer, United States Attorney, Blackburn Esterline, Assistant to the Solicitor General, for the United States of America. Walter L. Fisher, Oliver E. Sweet, Roland J. Lehman, Solicitors for the Interstate Commerce Commission.

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[fol. 1] IN UNITED STATES DISTRICT COURT FOR THE EASTERN DIVISION OF THE EASTERN JUDICIAL DISTRICT OF MISSOURI

No. 7859

THE ST. LOUIS AND O'FALLON RAILWAY COMPANY and MANUFACTURERS' RAILWAY COMPANY, Petitioners,

vs.

UNITED STATES OF AMERICA and INTERSTATE COMMERCE COMMISSION, Defendants

On Final Hearing

Before Hon. Kimbrough Stone, Circuit Judge; Hon. Arba S. Van Valkenburgh, Circuit Judge, and Hon. Charles B. Faris, District Judge

**Narrative Statement of Evidence**—Filed May 7, 1928

APPEARANCES OF COUNSEL

Solicitors for Petitioners: Frederick H. Wood, Robert H. Kelley, Leslie Craven and Daniel N. Kirby.

Solicitor for Defendant United States of America: Blackburn Esterline.

Solicitors for Defendant Interstate Commerce Commission: Walter L. Fisher, P. J. Farrell, Oliver O. Sweet, and Roland J. Lehman.

(NOTE.—The St. Louis and O'Fallon Railway Company will be referred to herein as the "O'Fallon," the Manufacturers' Railway Company as the "Manufacturers," the United States of America as the "United States," and the Interstate Commerce Commission as the "Commission.")

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[fol. 2] STIPULATION RE HEARING

Stipulation: It was stipulated by and between the solicitors for petitioners and defendants, that the hearing in the above entitled cause may, for the convenience of the Judges, be held at Kansas City, Missouri, and may be treated as a final hearing rather than as a hearing upon an application for a preliminary restraining order or temporary injunction.

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Petitioners' Evidence

STATEMENTS RE PETITIONERS' EXHIBITS 1, 2, AND 3

Petitioners' Exhibit No. 1: An authenticated copy of the charter of the O'Fallon was offered and received in evidence, marked Petitioners' Exhibit No. 1. It shows that the O'Fallon is a railroad corporation duly organized in 1896 under the laws of the State of Illinois, to own and operate a line of railroad situate in the State of Illinois.

Petitioners' Exhibit No. 2: An authenticated copy of charter of the Manufacturers was offered and received in evidence, marked Petitioners' Exhibit No. 2. It shows that

the Manufacturers is a railroad corporation duly organized in 1887 under the laws of the State of Missouri, to construct, maintain and operate a railroad for public use in the conveyance of property in the City of St. Louis, State of Missouri.

It was admitted by the solicitors for defendants, that the principal operating office of each of these carriers is in the City of St. Louis, Missouri.

Petitioners' Exhibit No. 3, being a certified copy of the record of the proceedings and exhibits before the Interstate Commerce Commission, in the proceedings in which the Commission issued its Recapture Order under attack in this case, including the Order and Report of the Commission, a transcript of all the evidence, oral and documentary, taken by the Commission before the making of its final report and order, and such incidental matters and documents as make up the complete record, certified as being all of the [fol. 3] record of the proceedings before the Commission except the briefs, exceptions to the proposed report and oral argument, was offered in evidence for Petitioners not only as the record before the Commission itself, but also as constituting, in the entire contents of said Petitioners' Exhibit No. 3, evidence de novo in Court, as bearing upon the issues of confiscation and damage.

STIPULATION AS TO PETITIONERS' EXHIBIT 3

In this connection, the following written stipulation between solicitors for Petitioners and for defendants was filed and made part of the record:

"Subject to the objection of the above named defendants, United States of America and Interstate Commerce Commission, that the matters covered by the order of the Interstate Commerce Commission involved in this case may not properly or lawfully be made the subject of a trial de novo in court, it is understood that if the entire record before the Commission is offered herein not only as proof of what took place before the Commission but also as evidence taken de novo in court, said defendants will not object to its admissibility on the ground that the witnesses, who gave such evidence before the Commission are not present in court,

or upon the gound that if called they would not testify as shown in said record or upon the ground that the documents contained therein have not been properly identified."

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OBJECTIONS TO PETITIONERS' EXHIBIT 3

The solicitors for the defendants thereupon objected to the admission as evidence de novo in Court, of said Petitioners' Exhibit No. 3, as incompetent, irrelevant and immaterial to any issue raised by the pleadings, and further [fol. 4] objected to the testimony of the witnesses and of each and every exhibit or document at the time the same are offered, and before the same are received, and to each and every part of same, and to each question propounded, and to each answer given, as and when the same is propounded and given, upon the following grounds:

First. That the District Court is without jurisdiction to review the findings of the Commission that the two companies were not a group of carriers under common control and management, operated as a single system within the meaning of paragraph (6) of Section 15a, and is accordingly without jurisdiction to receive evidence on that subject.

Second. That the Petitioners seek to offer evidence in Court de novo, and to conduct a trial de novo, and to put before the Court evidence which was not before the Commission, which the Commission had no opportunity to hear or consider; and that Petitioners seek to make a new case before the District Court to enjoin, set aside, annul or suspend an order of the Commission on the record of evidence and proceedings other than, and different from the original record evidence and proceedings before the Commission on which the Commission based its order.

Third. There is no claim that the evidence, or at least substantial part thereof, sought to be offered before the Court, is newly discovered, that the Commission ever refused to hear it, or that it was not within the possession of the parties and at all times available for presentation to

the Commission prior to the entry of the order by the Com-
[fol. 5] mission, or on a petition for rehearing to the Commission subsequent to the date of the entry of its order.

Fourth. That if the case presents only questions of statutory construction evidence de novo is not admissible to interpret the statute or the order of the Commission, or the evidence before the Commission, or to show that the evidence before the Commission is wrong, or to supplement or amplify it.

Fifth. That it is contrary to orderly procedure and practice to build up a new record to destroy the order of the Commission which should be tested by the sufficiency of the record before the Commission at the time it entered its order. But the proffered introduction of said Exhibit is not objected to on the ground that the witnesses are not present and sworn, or that they would not testify if present and sworn as recited in the record offered, nor on the ground that the documents contained in "Exhibit A" are not properly authenticated, no such technical questions being raised.

The Court sustained the objections to the introduction of Petitioners' Exhibit No. 3 as evidence de novo, and made the following ruling thereon:

"Section 12 of the Commerce Act as amended (24 Stat. 383; 25 Stat. 858; 26 Stat. 743; Compl. Stat. of 1916, Section 8576) makes it the duty of the Commission 'to execute and enforce the provisions of this Act.' Sections 13 (24 Stat. 383; 36 Stat. 550; Compl. Stat. of 1916, Section 8581) and 15 (24 Stat. 384; 34 Stat. 589; 36 Stat. 551; Compl. Stat. of 1916, Section 8583) as amended provided the outlines of a procedure which includes a hearing upon notice
[fol. 6] with opportunity for all parties to be fully heard and there is ample provision for compulsory attendance of witnesses and documents and for procuring testimony in other sections of the Act as amended. Such full hearing was accorded plaintiffs in this matter by the Commission and no irregularity in the proceedings is claimed. No claim is made that controlling or important evidence has been discovered since the hearing nor that such character of evidence existed at the time of hearing but was not then but

is now obtainable by the plaintiffs. Thus the situation is that a matter of fact has been properly committed by Congress to the Commission for ascertainment and determination by it; that adequate authority has, by Congress, been lodged in the Commission to enable it to accord a hearing thereon which is fair and complete to all parties concerned; that such fair hearing has been accorded these plaintiffs and evidence has been introduced by them, and they have had full opportunity to present their views to the Commission; that afterwards, and based upon such hearing, the Commission had determined this matter of fact; that plaintiffs now desire to try this same matter of fact de novo before this court without respect to the evidence or proceeding before the Commission. We think this should not be done because such a course would effectually nullify the power of the Commission as a fact finding body and substitute the courts in its place. We think the function of the courts as so such actions of the Commission is limited to reviewing the action of the Commission with a view of testing whether it has failed to act in accordance with the law governing its action and whether it has arbitrarily reached the conclusion at which it arrived. Obviously, a review of the action of the Commission must be upon the record before the Commission and none other because it was upon such record alone that the Commission should and is presumed to have acted. We think this view is required by numerously holdings of the Supreme Court of which the most recently reported is Western Chemical Co. v. United States, 271 U. S. 268, 271. Therefore, this court should not try this matter de novo but all evidence not before the Commission should be excluded."

To which ruling of the Court excluding additional or new evidence, the Petitioners then and there duly excepted at the time, and their exception was duly allowed.

Thereupon Petitioners' said "Exhibit No. 3" was re-
[fol. 7] ceived in evidence as showing what took place before the Commission.

[Exhibit 3 on account of its bulk and importance is separately set forth hereinafter.]

Thereupon Petitioners made a formal offer to prove the matters contained in said Exhibit 3, not only as evidence of the record that was before the Commission, but also as evidence de novo in this trial in Court, and the Court stated that its ruling excluding Exhibit 3, applied only to the introduction and reception in evidence of said exhibit as evidence upon a trial de novo; but that as evidence of what took place before the Commission, it was admissible and admitted, being marked "petitioners' Exhibit No. 3." An exception was requested by Petitioners and allowed as to exclusion of Exhibit 3 as evidence de novo in this trial.

Petitioners' Exhibits numbered 4, 5, 6, 7, 8 and 9 were then offered, and were admitted in evidence as explanatory of, and supplemental to, certain portions of the record before the Commission.

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STATEMENTS RE PETITIONERS' EXHIBITS 4 TO 8, INC.

Petitioners' Exhibit No. 4 is a certified copy of an order of the Commission entered March 31, 1919, and entitled "Regulations and Instructions to Govern the Recording and Reporting of all Extensions and Improvements or other Changes in Physical Property of every Common Carrier, * * * "in accordance with Section 19a of the Act to Regulate Commerce," known as "Valuation Order No. 3—Second Revised Issue," effective January 1, 1919; [fol. 8] also of order entered July 27, 1920, effective September 1, 1920, known as "Supplement No. 1 to Valuation Order No. 3—Second Revised Issue," entitled "Regulations Governing Common Carriers in Recording and Reporting Changes in Non-Carrier Property" as prescribed by the Commission in accordance with Section 19a of the Act to Regulate Commerce; also order entered September 27, 1920, known as "Supplement No. 2 to Valuation Order No. 3—Second Revised Issue"; also order entered February 12, 1923, entitled "Supplement No. 3 to Valuation Order No. 3—Second Revised Issue."

Said Valuation Order No. 3, Second Revised Issue, entered March 31, 1919, commonly known as "Valuation Order No. 3," shows that it was made in connection with valuation

work in general, that it contains regulations and instructions required to be observed by carriers in reporting annually within the periods and in the form and manner designated in the order, all extensions and improvements or other changes in the physical property of every carrier, so that the Commission may have in the forms and under the accounting headings prescribed in the order, a record of all additional physical property of a carrier that had been added or retired during the respective periods covered by such prescribed reports.

Said Supplement No. 1 to Valuation Order No. 3, entered July 27, 1920, effective September 1, 1920, requires the carriers on a prescribed form, to report annually to the Commission the physical property owned and held by them "for purposes other than those of a carrier" at the beginning of the year for which the report was rendered, the additions to and improvements of such property during the year, and [fol. 9] the sales, transfers, abandonments or other dispositions made of such property during the same period, and it prescribed methods in which such property shall be classified and the headings under which such reports were to be made. The railroads of the country are required to file with the Commission annual statements of the charges and credits to the investment accounts covering property added to or retired from operation during each year. The reports must show the accounts affected; the gross charges and credits to each account; the units of property added to each account and the cost thereof; and the units of property retired from each account together with the cost thereof.

Said Supplement No. 2 to Valuation Order No. 3, entered September 27, 1920, changed the time within which such reports were required to be filed by the carriers.

Said Supplement No. 3 to Valuation Order No. 3, entered February 12, 1923, made an amendment in the classification list of "the records which composed the system that shall be established."

Petitioners' Exhibit 5 is a certified copy of the Commission's Valuation Order No. 14, entered and effective February 9, 1915, covering the instructions and forms of return to be made by carriers with regard to the purchases of materials, prices paid and rates of compensation paid for

labor for various years. This order requires in general that details be given for the two largest purchases of each material made each year during that period when that many purchases have been made. These details are in general as follows: The year purchased; the maker; the description of the material (its class, purpose, measurements, and if treated the kind of treatment); maker's or dealer's [fol. 10] catalog number of reference, from whom purchased, point of original shipment, the f. o. b. point, point of delivery to the carrier's line, the quantity purchased in gross tons, the weight in pounds per lineal foot and the cost per gross ton must also be shown separated into the cost at the f. o. b. point, cost of inspection and the freight paid.

This report is required on the following classes of material:

Cast iron pipe.
Piles and fence posts of other than wood.
Plain and reinforced concrete pipe.
Sheet piling of other than wood.
Timber piles.
Undressed timber.
Vitrified clay pipe.
Wood pipe.
Wrought iron and steel pipe.
Bridge ties and switch ties of wood.
Bridge ties and switch ties of other than wood.
Track ties of wood.
Track ties of other than wood.
Rails.
Angle bars.
Bump posts.
Derails.
Compromise joints and patented joints.
Guard rails and guard rail clamps.
Movable point frogs other than those with slits.
Nut locks.
Rail braces and tie plates.
Railroad track crossings.
Rigid frogs.
Slip switches.

Spring frogs.
Switches.
Switch stands.
Track bolts.
Track spikes, drive and screw.
Ballast.
Farm gates and cattle guards.
Fence posts of wood.
Fence wire.
Highway crossing gates.
Scales.
Trucks.
Pumping engines and windmills.
Water columns or stand pipes.
Water tanks.
Turntables.
Batteries.
[fol. 11] Battery shelters.
Carrier foundations.
Interlocking machines.
Rail bonding wires and rail bonds.
Relay indicators and electrical locks.
Signals.
Signal wire and signal cable.
Switch boxes and switch indicators.
Roadway machines.
Paving material.
Roadway small tools.
Air compressors and blowers.
Building machines and milling machines.
Electric motors.
Forges, punches, shears and hammers.
Generators and turbo-generators.
Lathes, planers and shapers.
Pipe cutting machines and threading machines.
Stationary engines.
Woodworking machines.
Steam locomotives.
Electric locomotives.
Freight train cars.
Passenger train cars.
Cars with motor equipment.

Ferry boats, transfer boats and tug boats
Floating derricks and cranes.
Floating dredges.
Floating pile drivers.
Scows, barges and car floats.
Steamboats and steamships.
Concrete mixers, mounted.
Pile drivers, mounted.
Shovels and ditchers, mounted.
Snow ploughs.
Work cars
Brick.
Cement.
Fabric roofing.
Hardware.
Mail cranes.
Paint and oil.
Roofing slate and roofing tile.
Shingles.

In addition the order requires all steam railroads to report the rates of compensation per hour, per day and per month for various classes of employees, such as section foremen, track laborers, grading laborers, track laying laborers, ballasting laborers, miscellaneous laborers, stone masons, brick layers, concrete laborers, bridge carpenters and helpers, building carpenters, bridge erectors, bridge [fol. 12] fitters, bridge riveters, painters, steam shovel engineers, steam shovel cranemen, steam shovel firemen, steam shovel pit-men, work train enginemen, work train firemen, work train conductors, work train flagmen, work train brakemen, signal foremen, signal setters, signal helpers, signal electricians and signal blacksmiths.

Exhibit No. 6 is an order of the Interstate Commerce Commission dated May 19, 1914, effective July 1, 1914, and three orders supplemental thereto, two of which are dated June 2, 1924, and the third July 25, 1925, prescribing the manner in which the operating revenues and operating expense accounts of steam railroads subject to the Interstate Commerce Act shall be kept. So much of said order as relates to operating revenues provides for crediting to operating revenues all revenues received from operation

according to a classification by which such operating revenues are divided into four major classifications, to wit: I. Transportation—Rail Line; II. Transportation—Water Line; III. Incidental; IV. Joint Facility; each of which, in turn, is divided into numerous primary accounts such as freight, passenger, mail, express, switching, dining and buffet, and joint facility, etc. So much of said order as relates to operating expenses provides for charging to operating expenses the cost of all labor and material and incidental charges incurred in maintenance and operation according to a classification of accounts divided into seven major classifications, to wit: I. Maintenance of Way and Structures; II. Maintenance of Equipment; III. Traffic; IV. Transportation—Rail Line; V. Transportation—Water Line; VI. Miscellaneous Operations; VII. General; VIII. [fol. 12a] Transportation for Investment; each of which is subdivided into numerous primary accounts such as roadway maintenance, repairs to bridges, tie renewals, rail renewals, track-laying and surfacing, repairs to buildings, repairs to locomotives and cars, wages of train and engine crews, fuel, train supplies, etc. On the hearing of the appeal either side or any party, or the Court, may consider the exhibit above described in whole or in part, but if either side or any party makes reference to a part of such exhibit, he shall print in his brief in full such part or parts as he [fol. 13] desires the Court to consider.

Exhibit No. 7 is an order of the Commission dated June 26, 1914, effective July 14, 1914, and an order supplemental thereto, dated November 22, 1920, prescribing a condensed classification of operating expenses for the use of small carriers, to wit, carriers having annual operating revenues one million dollars and less, the effect of which is to permit the consolidation in numerous instances of two or more primary accounts established by Exhibit No. 6 into one. On the hearing of the appeal either side or any party, or the Court, may consider the exhibit above described in whole or in part, but if either side or any party makes reference to a part of such exhibit, he shall print in his brief in full such part or parts as he desires the Court to consider.

[fol. 14] Exhibit No. 8 is a copy of an order of the Commission dated May 19, 1914, and of three orders supple-

mental thereto, dated respectively December 20, 1920, March 14, 1921, and August 19, 1921, prescribing the manner in which income, profit and loss, and general balance sheet accounts of steam railroads subject to the Act to Regulate Commerce shall be kept and a classification thereof. On the hearing of the appeal either side or any party, or the Court, may consider the exhibit above described in whole or in part, but if either side or any party makes reference to a part of such exhibit, he shall print in his brief in full such part or parts as he desires the Court to consider.

[fol. 15] Petitioners' Exhibit No. 9 consists of certified copies of orders of the Interstate Commerce Commission dated May 19, 1914, January 14, 1921, and July 25, 1925, and are as follows:

PETITIONERS' EXHIBIT 9

[fol. 15-1] Classification of Investment in Road and Equipment of Steam Roads Prescribed by the Interstate Commerce Commission in Accordance with Section 20 of the Act to Regulate Commerce

Issue of 1914

Effective on July 1, 1914

(Seal Interstate Commerce Commission.)

Washington
Government Printing Office
1914

[fol. 15-2] The Interstate Commerce Commission

James S. Harlan, of Illinois.
Judson C. Clements, of Georgia.
Edgar E. Clark, of Iowa.
Charles C. McChord, of Kentucky.
Balthaser H. Meyer, of Wisconsin.
Henry C. Hall, of Colorado.
Winthrop M. Daniels, of New Jersey.
George B. McGinty, Secretary.

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[fol. 15-5] Order

At a General Session of the Interstate Commerce Commission, Held at its Office in Washington, D. C., on the 19th Day of May, A. D. 1914

The subject of a Uniform System of Accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the Classification of Investment in Road and Equipment of Steam Roads and the text pertaining thereto, embodied in printed form to be hereafter known as Issue of 1914, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the said Classification of Investment in Road and Equipment of Steam Roads with the text pertaining thereto be, and is hereby, prescribed for the

use of carriers by rail (exclusive of electric railways) subject to the provisions of the Act to Regulate Commerce as amended, in the keeping and recording of their accounts of investment in road and equipment; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all said accounts in conformity therewith; and that a copy of said issue be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

It is further ordered, That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account established in said issue, or may make assignment of the amount included in any such primary account to operating divisions, to its individual lines, or to States: Provided, however, That such subprimary accounts set up or such assignments made by any such carrier or by any receiver or operating trustee of any such carrier do not impair the integrity of the accounts hereby prescribed; and provided also that a list of such subprimary accounts set up or such assignments made be first filed in the office of the Division of Carriers' Accounts, subject to disapproval by the Commission.

[fol. 15-6] It is further ordered, That in order that the any such carrier or any receiver or operating trustee of any such carrier may, during the twelve months ending June 30, 1915, keep and maintain, in addition to the accounts of investment in road and equipment hereby prescribed, such portion or portions of its present accounts with respect to items of investment in road and equipment as may be deemed desirable by any such carrier or by any receiver or operating trustee thereof, for the purpose of such comparison; or, during the same period, may maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose.

It is further ordered, That, unless otherwise ordered, any such carrier or any receiver or operating trustee of any such carrier may keep any temporary or experimental accounts for investment the purpose of which shall be to develop economies in construction: Provided, however, That such temporary or experimental accounts shall not impair the integrity of any general or primary account hereby prescribed.

It is further ordered, That July 1, 1914, be, and is hereby, fixed as the date on which said issue of the Classification of Investment in Road and Equipment shall become effective.

By the Commission.

George B. McGinty, Secretary. (Seal.)

[fol. 15-7] Introductory Letter

Interstate Commerce Commission, Division of Carriers' Accounts, Washington

May 19, 1914.

To Accounting Officers of Steam Railways:

This Classification of Investment in Road and Equipment supersedes the Classification of Expenditures for Road and Equipment, First Revised Issue, effective July 1, 1907, with the Supplement thereto, effective July 1, 1908, and also the Classification of Expenditures for Additions and Betterments, First Revised Issue, effective July 1, 1910. It also supersedes conflicting instructions contained in Accounting Bulletin No. 8.

The plan of merging the accounts of expenditures for additions and betterments with the accounts for investment in road and equipment provides that carriers' records shall be kept in such form that the expenditures for additions and betterments may be reported separately from those for original road, original equipment, and road extensions.

Distinct accounts have been provided for the investment in several classes of buildings which, under the former classification, were included in the account "Miscellaneous structures."

The general and special instructions contain a comprehensive statement of the principles underlying the classification, indicating generally the application of the accounting rules. The attention of accounting officers is called to the importance of requiring all employees who are assigned to accounting work in connection with investment in road and equipment to familiarize themselves thoroughly with these instructions.

In the preparation of the revision of the accounting rules contained in this and other classifications for steam roads, which are concurrently issued, the Commission has had the cooperation of the Association of American Railway Accounting Officers, and of its Standing Committee on Corporate, Fiscal, and General Accounts.

The classification, in tentative form, was presented for criticism and suggestions to the chief accounting officer of [fol. 15-8] each railway and to the railway commissions of the several States. All suggestions received from such parties have been given careful consideration and many of them have been incorporated in the classification as here issued.

Fred W. Sweeney, Chief Examiner of Accounts.

[fol. 15-9] General Instructions

The carriers' records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided herein for investment in road and equipment. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification, and the detail records shall be filed in such manner as to be readily accessible for examination by representatives of the Interstate Commerce Commission.

1. Accounts for Investment in Road and Equipment.—The accounts prescribed in this classification are designed to show the investment of the carrier in property devoted to transportation service. The carrier's investment in physical property other than transportation property is provided for in balance-sheet account No. 705, "Miscellaneous physical property." The carrier means the accounting carrier, except when otherwise specifically indicated. The carrier's records shall be kept in such form that expenditures for additions and betterments may be reported separately from those for original road, original equipment, and road extensions, and shall show separately the expenditures under each authorized addition and betterment project. (See balance-sheet account No. 701, "Investment in road

and equipment," and No. 702 "Improvements on leased railway property.")

2. Items to be Charged.—To these accounts shall be charged the cost of original road, original equipment, road extensions, additions, and betterments; also the estimated values at time of acquisition of right of way and other road and equipment property donated to the carrier, except that unless authoribed by the Commission no charges shall be made to these accounts after July 1, 1914, for donations received previously to that date. Applications to the Commission for including such items in the road and equipment accounts shall contain full information concerning the source and character of the donations.

If the total cost of additions and betterments to any class of equipment, or any class of fixed improvements (except tracks), under a general plan, considered as a whole, is less than $200, the option may be exercised of charging the amount expended to the appropriate account in Operating Expenses. This rule is not to be construed as authorizing the parceling of expenditures in order to bring them within this limit.

Construction includes all processes connected with the acquisition and construction of original road and equipment, road extensions, additions, and betterments.

Orinigal road means the land and fixed improvements provided and arranged for in the original plan for the construction of a new road. When the acquisition of any such fixed improvements under the original plan is deferred, such [fol. 15-10] improvements, when acquired, shall be considered as additions. Original road shall not be construed to include fixed improvements which, under the original plans for the road, it is proposed to substitute at some time subsequent to the beginning of commercial operations for the improvements originally installed and used for transportation operations, such as steel bridges substituted for trestles.

Original equipment means equipment provided and arranged for under the original plan for the construction of a new road. When the acquisition of such equipment under the original plan is deferred, such equipment, when acquired, shall be considered as additions.

Road extensions means the land and fixed improvements provided and arranged for in the original plan for the construction of extensions of existing main lines, additional branch lines, and extensions of existing branch lines. When the acquisition of any such fixed improvements under the original plan is deferred, such improvements, when acquired, shall be treated as additions. Road extensions shall not be construed to include fixed improvements which under the original plans for the extensions it is proposed to substitute, at some time subsequent to the beginning of commercial operations, for the improvements originally installed and used for transportation in connection with commercial operations, such as steel bridges substituted for trestles.

Equipment means the rolling stock, boats, highway vehicles, horses, and harness devoted to transportation service, the cost of which is includible in the equipment accounts.

Fixed improvements means structures which are fixed as to location, such as tunnels, bridges, buildings, earthworks, etc.

Additions are additional facilities, such as additional equipment, tracks (including timber and mine tracks), buildings, bridges, and other structures; additions to such facilities, such as extensions to tracks, buildings, and other structures; additional ties laid in existing tracks; and additional devices applied to facilities, such as air brakes applied to cars not previously thus equipped. When property, such as a section of road, track, unit of equipment, shop or power plant machine, building, or other structure, is retired from service and replaced with property of like purpose, the newly acquired property shall, for the purposes of this classification, be considered as an addition, and the cost thereof accounted for accordingly. (See section 7.) If, however, the property retired and replaced is of minor importance, such as a small roadway building or other structure, and is replaced in kind without betterment, the cost of the replacement shall be charged to Operating Expenses, and no adjustment made in the road and equipment accounts.

Betterments are improvements of existing facilities through the substitution of superior parts for inferior parts

retired, such as the substitution of steel-tired wheels for cast wheels under equipment, the application of heavier rail in tracks, and the strengthening of bridges by the substitution of heavier members. The cost chargeable to the accounts of this classification is the excess cost of new parts over the cost at current prices of new parts of the kind retired. (See Section 12.)

Costs shall be actual money costs to the carrier. Where a portion of the funds expended by the carrier has been obtained through donations by States, municipalities, individuals, or others, no deductions on account of such donations shall be made in stating the costs. Contributions for joint expenditures should not be considered as donations. The carrier's proportion only of the cost of joint projects, such as construction of jointly owned tracks and elimination of highway crossings at joint expense, shall be included in these accounts.

3. Basis of Charges.—The charges to the accounts of this classification shall be based upon the cost of the property acquired. When the consideration given for the purchase or the improvement of property the cost of which is chargeable to the accounts of this classification is other than money, the money value of the consideration at the time of the transaction shall be charged to these accounts, and the [fol. 15-11] actual consideration shall be described in the record in sufficient detail to identify it. The carrier shall be prepared to furnish the Commission, upon demand, the particulars of its determination of the actual cash value of the consideration, if other than money.

4. Cost of Construction.—It is intended that the accounts for fixed improvements and equipment shall include the cost of construction of such property. The cost of construction shall include the cost of labor, materials and supplies, work-train service, special machine service, transportation, contract work, protection from casualties, injuries and damages, privileges, and other analogous elements in connection with such work. The several items of cost here referred to are defined as follows:

(a) Cost of labor includes the amount paid for labor expended by the carrier's own employees, including the cost of labor expended for preliminary work, such as sink-

ing test holes or making soundings for tunnels, grading, buildings, and other structures; and cost of labor expended in laying and taking up tracks for temporary use in construction, except the cost of labor expended on tracks provided for the protection of traffic during the progress of addition and betterment work. Office expenses and traveling and other personal expenses of employees, when borne by the carrier, shall be considered a part of the cost of the labor, as shall also the cost of fidelity bonds and employers' liability insurance premiums. When officers or employees are specially assigned to construction work, their pay and their traveling and incidental expenses while thus engaged shall be included in the cost of the work. No charge shall be made against road and equipment accounts for the pay of officers who merely render services incidentally in connection with extensions, additions, or betterments, although traveling and incidental expenses incurred by such officers solely on account of such work shall be included in the account to which the cost of the work is chargeable.

(b) Cost of materials and supplies includes the purchase price of materials and supplies, including small tools, at the point of free delivery, plus the costs of inspection and loading assumed by the carrier; also a suitable proportion of store expenses. (See special instructions for operating expense accounts, section 16 and 17.) In calculating the cost of materials used, proper allowance shall be made for the value of unused portions and of cuttings, turnings, borings, etc.; for the value of the material recovered from temporary tracks, scaffolding, cofferdams, and other temporary structures used in construction; and for the value of small tools recovered and used for other purposes.

(c) Cost of work-train service includes amounts paid to others for rent and maintenance of the equipment used; cost of labor of enginemen, trainmen, and enginehouse men, including the wages of engine crews and train crews held in readiness for such service; and the cost of fuel and other supplies consumed in connection with the operation of work trains. It shall also include the cost of maintaining the carrier's own equipment while used in construction service and a fair rent for such equipment while so used. Amounts charged for rent of such equipment used in construction

shall concurrently be credited to the appropriate income account for hire of equipment. No "rent" or return upon the investment in such equipment shall be charged for the use of equipment acquired with the proceeds of securities sold, when the interest upon such securities is charged to the accounts of this classification.

(d) Cost of special machine service includes the cost of labor expended and of materials and supplies consumed in maintaining and operating steam shovels, scrapers, rail unloaders, ballast unloaders, pile drivers, dredges, ditchers, weed burners, and other labor-saving machines; also rents paid for use of such machines. (See Note A under account No. 37, "Roadway machines," and text of general account II, Equipment, seventh paragraph.)

(e) Cost of transportation includes the amounts paid to other companies or individuals for the transportation of men, materials and supplies, special machine outfits, appliances, and tools in connection with construction. Freight charges paid foreign lines for the transportation [fol. 15-12] of construction material to the carrier's line shall be included, so far as practicable, as a part of the cost of the material, when such charges are borne by the carrier. A fair allowance representing the expense to the carrier of such transportation in transportation service trains over the carrier's own line also shall be included. When the cost of such transportation is not assignable to specific work, it shall be included in account No. 43, "Other expenditures—Road." Amounts thus charged for transportation in transportation service trains over the carrier's line shall be credited to operating expense general account VIII, Transportation for Investment—Cr.

(f) Cost of contract work includes amounts paid for work performed under contract by other companies, firms, or individuals, and costs incident to the award of the contract.

(g) Cost of protection from casualties includes expenditures for protection against fire, such as payments for discovery or extinguishment of fires, cost of detecting and prosecuting incendiaries, witness fees in relation thereto, amounts paid to municipal corporations and others for fire

protection, and other analogous items of expenditure in connection with construction work.

(h) Cost of injuries and damages includes expenditures on account of injuries to persons or damage to property when incident to construction projects, and shall be included in the cost of the work in connection with which the injury or damage occurs. It also includes that portion of premiums paid for insuring property applicable to the period prior to the completion or coming into service of the property insured. Insurance recovered on account of compensation paid for injuries to persons incident to construction shall be credited to the accounts to which such compensation is charged, and insurance recovered on account of damages to property incident to construction shall be credited to the accounts chargeable with the expenditures necessary for restoring the damaged property. The cost of injuries and damages incident to the removal of old structures, or parts thereof, shall be charged to Operating Expenses or Profit and Loss, as may be appropriate, except that such costs in connection with the removal of old structures which are incumbrances on newly acquired lands shall be included in account No. 2, "Land for transportation purposes," or No. 3, "Grading," as may be appropriate. (See sections 7 and 8.)

(i) Cost of privileges includes compensation for temporary privileges, such as the use of public property or streets, in connection with the construction of the property of the carrier.

5. Excavated Material.—The cost of disposing of material excavated in connection with construction shall be considered as a part of the cost of the work, except that when such material is used for filling, the cost of removal and dumping shall be equitably apportioned between the work in connection with which the removal occurs and the work in connection with which the material is used.

6. Items to be Credited.—To these accounts shall be credited the ledger value of property retired.

Ledger value of property is the value at which the property is carried in the property investment account in the general ledger of the carrier. In case the value of any

item of property is not shown separately in the ledger the ledger value of that item shall be its proportionate share of the value of the entire group in which the particular property is included.

Property retired means property which is sold, abandoned, demolished, or otherwise withdrawn from transportation service.

Salvage from retired property is the value of material recovered from property retired. When such material is retained and again used by the carrier, the value shall be computed upon the basis of fair prices for the material in its condition as recovered. When such material is sold, the net proceeds of the sale shall be considered as the value of the material.

[fol. 15-13] 7. Property Retired and Replaced.—When a unit of property other than land or equipment—such as a section of road, side or yard track, shop or power plant machine, building, or other structure—is retired from service and replaced with property of like purpose, the ledger value of the retired property shall be credited to the appropriate accounts of this classification at the time that the property is retired from service. The amount of this credit shall be charged concurrently as follows:

An amount equal to the credit balance in the accrued depreciation balance-sheet account with respect to the property thus retired shall be charged to that account and the remainder (less salvage and insurance recovered, if any), together with the cost of demolishing the property, if demolished by or for the carrier, shall be charged to the accounts in Operating Expenses appropriate for the cost of repairs of the property before retirement. The accounting for the salvage shall be in accordance with the disposition made of the material recovered.

If, however, the property retired and replaced with property of like purpose is of minor importance, such as a small roadway building or other small structure, and is replaced in kind without betterment, the cost of the replacement shall be charged to operating expense accounts, and no adjustment made in the road and equipment accounts.

If so authorized by the Interstate Commerce Commission, the carrier may charge to Profit and Loss any extraor-

dinarily large item representing the cost of property retired and replaced, instead of charging such item to Operating Expenses. The carrier shall file with the Commission a statement of the cost and a description of the property retired and the reasons which, in its judgment, indicate the propriety of charging the cost of such property to Profit and Loss.

The provisions of this section are applicable in accounting (at the time of retirement) for the cost of property abandoned, even though the new property has been actually installed previously to the date of the demolishment of the abandoned property.

When the renewals to be made to an important building or other structure will constitute the major portion of its value when renewed, the property, when taken out of service, shall be considered as retired and accounted for as provided above, and for the purposes of this classification the renewed property shall be considered as an addition, and the appraised cost thereof shall be included in the accounts of this classification, consideration being given to the secondhand portions remaining therein. In no case shall the charge for the renewed property exceed the cost (at current market prices of labor and material) of new property of equal capacity and equal expectation of life in service, less a suitable allowance on account of the secondhand parts remaining therein.

8. Property Retired and not Replaced.—When a unit of property other than land or equipment—such as a section of road, side or yard track, shop or power plant machine, building, or other structure—is retired from service and not replaced, the ledger value shall be credited to the appropriate property accounts at the time that the property is retired from service. The amount of this credit shall be concurrently charged as follows:

An amount equal to the credit balance in the accrued depreciation balance-sheet account with respect to the property thus retired shall be charged to that account, and the remainder (less salvage and insurance recovered, if any), together with the cost of demolishing the property if demolished by or for the account of the carrier, shall be charged to the appropriate profit and loss account. The

accounting for the salvage shall be in accordance with the disposition made of the material recovered.

9. Equipment Retired.—The instructions for accounting for equipment retired are contained in the text of the gen- [fol. 15-14] eral account 11, Equipment.

10. Land Retired.—When any land, the cost of which is included in the accounts of this classification, is retired, the ledger value shall be credited to account No. 2, "Land for transportation purposes." If the land is retained by the carrier, its estimated value shall be charged to balance-sheet account No. 705, "Miscellaneous physical property," the necessary adjustment of the difference between the ledger value and the estimated value on account of the loss in the property due to its retirement from transportation service shall be made through Profit and Loss. If sold, the difference between the ledger value credited to account No. 2 and the amount received for the land shall be adjusted in Profit and Loss.

11. Adjustments for Converted Property.—When property, such as a unit of equipment, a building, or other facility of one class, is converted into property of another class, so that the amount of investment in such property must be transferred from one account of this classification to another, the ledger value shall be credited to the appropriate road and equipment account. Proper account shall be taken of any salvage recovered in the process of conversion. The amount of the balance in the accrued depreciation balance-sheet account, with respect to the property thus converted, shall be charged to that account. The appraised cost of the property converted (consideration being given to the secondhand portions remaining therein) shall be included in the appropriate account of this classification. The charge for the converted property in no case shall exceed the cost (at current market prices of labor and material) of new property of equal capacity and equal expectation of life in service, less a suitable allowance on account of the secondhand portions remaining therein. The ledger value of the property before conversion, plus the cost of conversion, less the sum of the estimated value of the property as converted, the amounts charged to accrued

depreciation accounts, and the salvage recovered, shall be charged to the operating expense accounts appropriate for the costs of repairs of the fixed improvements or for the retirement of equipment before conversion.

12. Expenses in Connection with Additions and Betterments.—The cost of removing old material from equipment and from buildings, bridges, wharves, tracks, and other fixed improvements, shall be charged to the appropriate operating expense accounts. Such charges shall include the cost of removing old foundations and filling old excavations, and restoring condition of grounds after addition and betterment work; rearranging or relocating existing tracks; relocating telegraph and telephone poles or lines, fences, track and other signals, buildings, bridges, trestles, culverts, and other structures, and farm and highway crossings, including crossing gates and alarms, when the provisions of section 8 of these instructions are not applicable; and maintaining or protecting traffic during the progress of addition and betterment work, including the cost of constructing, maintaining, and removing temporary tracks required for maintaining traffic during the progress of the work.

13. Interpretation of Item Lists.—Lists of "items," "details," etc., have been given as a part of this classification for the purpose of clearly indicating the application of the accounting rules in specific cases. The lists in every case are to be considered as merely representative, and not as excluding from any account analogous items which happen to be omitted from the list appended. On the other hand, the appearance of an item in a list warrants the inclusion of the item in the account concerned only when the text of the account also indicates inclusion, inasmuch as the same item frequently appears in more than one list. The item of boilers, for example, will be found under accounts Nos. 18, 27, 37, 44, and 45, and the proper charge in any one instance must be determined by the text of the account.

14. Submission of Questions.—To the end that uniformity of accounting may be maintained from year to year,

carriers shall submit all questions of doubtful interpretation of the accounting rules to the Commission for consideration and decision.

[fol. 15-15] Text Pertaining to Accounts for Investment in Road and Equipment

I. Road

The several primary accounts included in this general account are designed to show the cost of land, fixed improvements, and roadway machines and tools owned by the carrier and devoted to transportation service.

1. Engineering:

This account shall include the pay and expenses of engineers, assistants, and clerks engaged in the survey and construction of new lines and extensions, or in making additions to and betterments of the carrier's road, including wharves and docks.

List of Officers and Employees

(See general Instructions, section 13.)

Chief engineer.
Assistant engineers.
Bridge engineer.
Signal engineer.
Architects.
Chief clerk.
Draftsmen.
Clerks.
Transitmen.
Levelmen.
Rodmen.
Chainmen.
Axmen.
Messengers.
Cooks on business cars.
Porters on business cars.

Items of Expense and Supplies

(See general instructions, section 13.)

Atlases and maps.
Axes.
Barometers.
Books for office use.
Boxes for materials and instruments.
Business car service.
Cameras.

Camp equipage.
Chains for surveyors.
Compasses.
Curves.
Drawing boards.
Drawing instruments.
Field glasses.
Field notebooks.
Furniture repairs and renewals.
Hatchets.
Heating and lighting.
Levels.
Magnets.
Magnifiers.
Marking chalk.
Official train service.
Oilstones.
Paper, blue-print.
Parallel rules.
Periodicals and newspapers.
Photographic supplies.
Plane tables.
Planimeters.
Plummets.
Printing and stationery.
Protractors.
Provisions for business cars.
Ranging poles.
Reading glasses.
Rent of offices.
Repairs of rented offices.
Rods for surveyors.
Scales.
Section liners.
Sextants.
Slide rules.
Stakes.
Straightedges.
Tally registers.
Tape lines.
Tee-squares.
Telegraph service.
Telephone service.
Telescopes.
Thermometers.
Thumb tacks.
Tracing linen.
Transits.
Traveling expenses.
Traverse tables.
Triangles.
Tripods.
Verniers.
Water and ice.

NOTE A.—When employees designated above are engaged in the maintenance of the road, their pay and expenses while thus employed shall be charged to Operating Expenses.

NOTE B.—Expenditures for tentative or preliminary surveys shall be carried in a suspense account until it is determined whether or not to continue the work. If the project is continued, expenditures for all surveys in connection therewith shall then be transferred to this account, and, if abandoned, to Operating Expenses, Income, or Profit and Loss, as may be appropriate.

NOTE C.—The cost of designing, making plans and specifications, and supervising the construction of equipment shall be included in the cost of the equipment.

NOTE D.—The cost of stationery and printing supplies used for accounting purposes in connection with engineering work shall be included in account No. 74, "Stationery and printing," when not directly assignable to specific road or equipment accounts.

NOTE E.—Fees and expenses of architects specially employed for designing or supervising the construction of buildings shall be included in the accounts appropriate for the cost of the buildings constructed.

Note carefully general instructions, pages 9 to 14.

[fol. 15-16] 2. Land for Transportation Purposes:

This account shall include the cost of land of necessary width acquired for roadway; the cost of land for station, office, shop, and other grounds; for ingress to or egress from such grounds; for borrow pits, waste banks, snow fences, sand fences, and other railway appurtenances; and for storage of material adjoining the right of way; the cost of land for wharves and docks and the cost of riparian or water rights necessary therefor; the cost of removing from the right of way and locating elsewhere the property of others, and the cost of the necessary land for relocation of the property, when such costs are assumed by the accounting carrier.

The carrier's records shall be kept in such manner as to show separately the cost of land purchased by it and the estimated values at time of acquisition of lands donated.

Proceeds from the sale of timber or of improvements purchased with right of way, less any cost of removal, shall be credited to this account.

Items of Expense

(See General Instructions, Section 13)

| | |
|---|---|
| Abstracts. | Commissions paid to others. |
| Appraisals. | Condemnation expenses, including court costs and special counsel fees. |
| Arbitrators in condemnation cases. | |

Damages to property of others.
Deferred payments for right of way.
Ditches for waterways when part of consideration.
Judgments and decreed costs to clear or defend titles.
Notarial fees.
Payments for relinquishment of cattle passes and other rights.
Plats.
Premiums on condemnation bonds.
Recording deeds.
Removal and relocation of buildings and other structures not purchased.
Rent of land when part of consideration for purchase.
Right-of-way agents' compensation (engaged solely in acquiring right of way).
Taxes accrued and assumed at time of purchase.

NOTE.—The cost of land acquired in excess of that necessary for transportation operations shall be included in balance-sheet account No. 705, "Miscellaneous physical property." When the purchase of land acquired for transportation operations involves the purchase of land not used for such purposes the charges to this account shall be based upon the estimated cost of only that portion which is used for such purposes, and the cost of the remaining land shall be included in account No. 705, "Miscellaneous physical property."

3. Grading:

This account shall include the cost of clearing and grading the roadway, and of constructing protection of a permanent character for the roadway, tracks, embankments, and cuts.

When a part of a bridge or trestle, or the entire structure, is converted by filling into an earth embankment, and the bridge is used in lieu of a temporary trestle for the purpose of filling, the estimated cost of such temporary trestle shall be included in the cost of the filling, and charged to this account. (See Note A, under account No. 6, "Bridges, trestles, and culverts.")

When a tunnel is converted into an open cut, the cost of clearing, grubbing, and excavating shall be included in this account.

Details of Roadbed and Items of Expense

(See General Instructions, Section 13)

Advertising for contractors' bids.
Berm ditches.
Blasting.
Breakwaters.
Bulkheading.
Clearing land.
Cribbing.
Ditches (not required by right-of-way agreement).
Dressing slopes.
[fol. 15-17] Excavation for conversion of tunnels into open cuts.
Filling bridges, trestles, and culverts.
Grading outfits.
Grubbing land.
Material taken from borrow pits.
Operation of steam shovels.
Payments for privilege of wasting material on the property of others.
Payments for waste banks off the right of way.
Reconstruction of highways.
Retaining walls.
Revetments.
Riprap.
Spoil banks.
Temporary trestling for fills.
Tools for grading.
Wing dams.

4. Underground Power Tubes:

This account shall include the cost of power tubes or conduits for underground contacts of electric railways or for underground cables of cable traction railways.

Details of Underground Contact System

(See general instructions, section 13)

Concrete work.
Drainpipes.
Manhole covers.
Manhole frames.
Plow pits.
Pulleys.
Sheaves.
Slot rails.
Yokes.

NOTE.—The cost of track rails, other track material, and electric contact rails and insulators shall be charged to the accounts appropriate for such property.

5. Tunnels and Subways:

This account shall include the cost of tunnels and subways for the passage of trains, including apparatus for ventilating and lighting, and safety devices therein, other than signals.

NOTE A.—The cost of tracks, including guard rails, in tunnels and shall not be charged to this account.

NOTE B.—Station subways not highway crossings are includible in account No. 16, "Station and office buildings."

NOTE C.—If a tunnel be converted into an open cut, the accounting shall be in accordance with general instructions, section 11.

6. Bridges, Trestles, and Culverts:

This account shall include the cost of the substructure and superstructure of bridges, trestles, and culverts which carry the tracks of the carrier over water-courses, ravines, public and private highways, and other railways.

Details of Bridge Structures

(See general instructions, section 13)

Abutments.
Bridge signs.
Cofferdams.
Concrete and masonry ends for culverts.
Cribs.
Decking, including gravel for fire protection.
Dike protection.
Drainage systems.
Draw protection.
Drawbridge engines and machinery.
False work.
Guard timbers.
Ice breakers.
Painting (except repainting).
Pier protection.
Piers and foundations.
Pipe culverts.
Retaining walls.
Riprap around abutments.
Riprap at culvert ends.
Supports.
Water channels.
Waterproofing.
Wing dams.
Wing walls.

NOTE A.—When a part or the entire structure of a bridge or trestle is converted, by filling into an earth embankment, the ledger value of the structure, or of the portion thereof

filled, shall be credited to this account. In case the bridge or trestle is used in lieu of a temporary trestle for the purpose of filling, the estimated cost of such temporary trestle shall be charged to account No. 3, "Grading." The ledger value of the structure, or portion thereof, filled, less the value of the salvage and the estimated cost of trestle charged to account No. 3, shall be charged to Operating Expenses.

NOTE B.—The cost of bridges to carry the carrier's tracks over undergrade crossings, including the necessary piers and abutments for sustaining them, shall be included in this account, but the cost of undergrade roadways, paving on right of way, drainage systems, and retaining walls outside of the bridge abutments, shall be included in account No. 15, "Crossings and signs."

[fol. 15-18] 7. Elevated Structures:

This account shall include the cost of elevated structures and foundations of elevated railway systems.

This account is applicable to structures other than earthwork, which are for the purpose of elevating tracks above the grade of streets, and which are not properly classable as bridges or trestles.

NOTE.—The cost of stations and other structures built on elevated structures shall be accounted for according to the class of the structure thus superimposed, and not in this account.

8. Ties:

This account shall include the cost of cross, switch, bridge, and other track ties used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc.) and the cost of additional ties subsequently laid in such tracks; also the excess cost of metal ties used in repairs of track over the cost to replace in kind wooden ties removed.

The cost of handling ties in general supply and storage yards shall be included as store expenses apportioned to this account when the ties are used for construction purposes.

NOTE A.—The cost of labor for unloading, distributing, and placing the ties in tracks, and the cost of train service in connection with the distribution of ties laid shall be charged to account No. 12, "Track laying and surfacing."

NOTE B.—The cost of ties used in the construction of car floats shall be included in the cost of such floating equipment, and the cost of ties used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts.

9. Rails:

This account shall include the cost of rails used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc.), and the excess cost of heavier rails or rails of improved types or quality used for repairs of tracks over the cost to replace in kind the rails removed.

The cost of handling rails in general supply and storage yards shall be included as store expenses apportioned to this account when the rails are used for construction purposes.

To this account shall be credited the difference between the cost (at current prices at time of removal) of heavy rails removed and the cost of lighter rails applied in the repairs of tracks.

NOTE A.—The cost of labor for unloading, distributing, and placing the rails in tracks, and of train service in connection with the distribution of the rails, shall be charged to account No. 12, "Track laying and surfacing."

NOTE B.—When secondhand rails are first applied to any tracks and no more than the actual cost of such rails is carried in the road accounts, the excess cost of new or heavier rails used for relaying the tracks over the cost (at prices current at the time of replacement) of rails of a weight and condition equal to the weight and condition of the released rails when applied, shall be charged to this account.

NOTE C.—The cost of rails used in the construction of car floats shall be included in the cost of such floating equipment, and the cost of rails used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts.

10. Other Track Material:

This account shall include the cost of material used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc.), except ballast and material chargeable to foregoing accounts; also the excess cost of heavier or improved "other track material" used in repairs of tracks over the cost of replacing in kind such material removed.

[fol. 15–19] The cost of handling "other track material" in general supply and storage yards shall be included as store expenses apportioned to this account when such material is used in the construction of new tracks.

Items of Other Track Material

(See General Instructions, Section 13)

Angle bars.
Anticreepers.
Bumping posts.
Compromise joints.
Connecting rods.
Crossings for steam and electric railways, including foundations or bases.
Derails.
Frog blocking.
Frogs.
Guard-rail blocking.
Guard-rail clamps.
Guard-rail fasteners.
Guard rails, switch and other.
Main rods.
Nut locks.
Nuts.
Offset bars.
Rail braces.
Rail chairs.
Rail clips.
Rail joints.
Rail rests.
Rail shims.
Rail splices.
Splice bars.
Step chairs.
Switch chairs.
Switch crossings.
Switch lamps.
Switch locks and keys.
Switch points.
Switch stands.
Switch targets.
Switches.
Tie plates.
Tie plugs.
Tie-rods.
Track bolts.
Track insulators.
Track spikes.

NOTE A.—The cost of labor and train service for distributing, unloading, and applying "other track material" shall be charged to account No. 12, "track laying and surfacing."

NOTE B.—No entry is required in this account with respect to improved "other track material" unless installed under a definite plan of changing standards, such as increasing the weight of rail.

NOTE C.—The cost of "other track material" used in the construction of car floats shall be included in the cost of such floating equipment, and the cost of such track material used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts.

11. Ballast:

This account shall include the cost of gravel, stone, slag, cinders, sand, and like material used in ballasting tracks (including tracks in shops, fuel stations, supply yards, etc.) not previously ballasted, including cost of work-train service and of unloading; cost of ballast applied in excess of ballast required to restore to its maximum height and width the ballast previously put on the roadbed; and the excess cost of improved ballast used in renewals over the cost to replace in kind to the original height and width the ballast removed. (Special instructions, section 11, for operating expense accounts, apply to the accounting for pits from which ballast material is obtained either for construction work or for maintenance, or for both.)

NOTE A.—The cost of ballast used in the construction of temporary tracks, such as gravel-pit and quarry tracks, shall be included in the appropriate clearing accounts.

NOTE B.—Earth placed to form a crown in the middle of the track is not to be considered as ballast.

NOTE C.—The cost of ballast material placed on the decking of bridges solely for fire-protection purposes shall be included in account No. 6, "Bridges, trestles, and culverts."

NOTE D.—No charge shall be made to the accounts of this classification representing the value of cinders accumulated by the carrier.

12. Track Laying and Surfacing:

This account shall include the cost of distributing (including train service), laying, and adjusting ties, rails, and other track material used in the construction of tracks for the movement or storage of locomotives or cars, including repair tracks, but not tracks on car floats or temporary tracks the cost of which is chargeable to clearing accounts. It shall also include the cost of the labor expended in placing ballast in tracks not previously ballasted.

NOTE A.—The cost of distributing and adjusting ties, rails, ballast, and other track material for repairs shall be charged to Operating Expenses, both when such materials are placed in kind and when replaced with improved and heavier material.

NOTE B.—The cost of work-train service in delivering ballast and of unloading such material is provided for in account No. 11, "Ballast."

[fol. 15–20] 13. Right-of-way Fences:

This account shall include the cost of right-of-way fences (including permanent snow and sand fences erected in lieu of right-of-way fences), farm gates, cattle guards, wing fences, aprons, and hedges, on property not previously fenced, excluding those around stockyards, fuel stations, station and shop grounds, and building sites.

14. Snow and Sand Fences and Snowsheds:

This account shall include the cost of snowsheds, including rock filling when necessary, and cost of permanent or portable fences for the protection of tracks from snow and sand, other than such permanent fences erected in lieu of right-of-way fences and chargeable to account No. 13, "Right-of-way fences."

15. Crossings and Signs:

This account shall include the cost of constructing farm passes, highways, and other railways across the carrier's right of way, except railways crossing at grade; cost of track signs, crossing gates, highway-crossing alarms, planking, paving, and watch houses at crossings; and the portion

borne by the carrier of cost of overgrade and undergrade crossings constructed to eliminate grade crossings.

### Details of Grade Crossings

(See General Instructions, Section 13)

Batteries, with track instruments and connections.
Crossing gates.
Crossing signal bells.
Paving.
Planking.
Soil crossing drains.
Warning signals.
Watch houses.
Water pipes.

### Details of Overgrade Crossings

(See General Instructions, Section 13)

Bridge superstructures.
Bridge substructures.
Decking, including roadways.
Drainage systems.
Piers, including foundations.
Retaining and wing walls, including foundations.

### Details of Undergrade Crossings

(See General Instructions, Section 13)

Curbing.
Drainage systems.
Paving on right of way.
Retaining walls outside of bridge abutments.
Roadways.
Sidewalks.

### List of Signs

(See General Instructions, Section 13)

Boundary signs.
Mile signs.
Monument stones.
Overhead-bridge caution signs.
Section signs.
Slow or stop signs.
Subdivision boards.
Tunnel caution signs.
Water station signs.
Water trough signs.
Whistle signs.
Yard-limit signs.

NOTE A.—The cost of shop and station overgrade footbridges and subways not public highways shall be included in the cost of the buildings.

NOTE B.—The cost of bridges or trestles carrying the carrier's tracks over roads, highways, or other railways shall be charged to account No. 6, "Bridges, trestles, and culverts," but the cost of a bridge or other structure which carries farm passes, highways, or the tracks of another carrier over the carrier's tracks shall be included in this account.

16. Station and Office Buildings:

This account shall include the cost of station and office structures, their fixtures, appurtenances, and furniture necessary first to equip the buildings for use.

[fol. 15–21] Station and Office Structures and Details

(See General Instructions, Section 13)

Baggage rooms.
Breakwaters for protection of buildings.
Buildings and rooms for trainmen.
Buildings on piers.
Call bells.
Coal bins.
Coal transferring machinery (not on coal and ore wharves).
Coal trestles (not at fuel stations).
Commissarial buildings.
Drainage and sewerage systems.
Dwellings.
Eating houses.
Electric wiring.
Elevators and machinery.
Express buildings.
Fences.
Fire-engine houses.
Freight cranes.
Freight derricks.
Freight handling machinery.
Freight houses.
Garages.
Gas-supply systems.
General office buildings.
Grain cribs.
Grain elevators.
Grain warehouses.
Greenhouses.
Hay houses.
Heating plants.
Hedges.
Hoisting engines for handling freight.
Hose houses.
Ice houses.
Lighting plants.
Mail cranes.
Milk stands.
Office buildings.
Ore-transfering machinery.

Outhouses.
Pavement within ground limits.
Platforms, freight.
Platforms, passenger, including planking between tracks.
Power distribution systems, interior.
Reading rooms.
Rooms for Y. M. C. A.
Scale houses.
Sidewalks.
Stables.
Station footbridges (not highway crossings).
Station intertrack fences.
Station platforms.
Station signs.
Station stairways.
Station subways (not highway crossings).
Station power houses.
Stations, freight.
Stations, passenger.
Stock pens.
Storehouses.
Telegraph offices.
Telpher systems.
Track scales.
Transfer houses.
Transfer platforms.
Waiting rooms.
Warehouses.
Washrooms.
Water-supply systems.
Yard offices.

NOTE A.—Office buildings used exclusively in connection with maintenance of way shall be included in account No. 17, "Roadway buildings." Those used exclusively in connection with maintenance of equipment shall be included in account No. 20, "Shops and enginehouses."

NOTE B.—The cost of grading and preparing grounds, both before and after the construction of station and office buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

17. Roadway Buildings:

This account shall include the cost of roadway shops and other roadway buildings, including drainage, water, gas, and sewer pipes and connections; and all machinery, fixtures, and furniture to equip the buildings ready for use.

### List of Roadway Buildings

(See General Instructions, Section 13)

Bins for material.
Blacksmith shops.
Boarding houses.
Breakwaters for protection of buildings.
Carpenter shops.
Dwellings.
Fire-engine houses.
Frog shops for repair of track material.
Hand-car houses.
Lighting plants.
Lumber sheds.
Offices.
Outhouses.
Planing mills.
Railshops for repair of track material.
Repair shops.
Scrap bins.
Section dwelling houses.
Stables.
Storehouses.
Tool houses.
Watch houses.

NOTE.—The cost of grading and preparing grounds, both before and after the construction of roadway buildings, and the cost of constructing sidewalks, driveways, and fences thereon shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

[fol. 15-22] 18. Water Stations:

This account shall include the cost of structures, facilities, and appliances necessary to equip for service stations for supplying water. The cost of analyses of water preliminary to the establishment of water stations shall be included in this account.

### Water Station Structures and Details

(See General Instructions, Section 13)

Boilers.
Breakwaters for protection of buildings.
Buildings on piers.
Cisterns.
Dams.

Fences.
Outhouses.
Penstocks.
Pump houses.
Pumps.
Purifying plants.
Reservoirs.
Settling basins.
Stationary engines.
Steam pipes.
Tanks and foundations.
Test wells.
Track tanks.
Tubs.
Water cranes.
Water pipe lines.
Water-treating plants.
Wells.
Windmills.

NOTE A.—The cost of water stations used solely for supplying water to shops, power plants, stations, hotels, tenement houses, or section houses shall be charged to the appropriate accounts relating to the property so supplied.

NOTE B.—The cost of a temporary water station established only for use during the construction period shall be included in the primary accounts to which is charged the cost of the work in connection with which the water station is used.

NOTE C.—The cost of grading and preparing grounds both before and after the construction of water station buildings, and the cost of constructing sidewalks, driveways, and fences thereon shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

19. Fuel Stations:

This account shall include the cost of structures, facilities other than tracks, and appliances necessary to equip for service stations for supplying fuel to locomotives and floating equipment.

## Fuel Station Structures and Details

(See General Instructions, Section 13)

Breakwaters for protection of buildings.
Buckets.
Buildings on piers.
Coal buckets.
Coal buggies.
Coal hoists.
Coal pockets and chutes.
Dumping machinery.
Elevating machinery.
Fences.
Fuel houses or stations.
Fuel-oil columns.
Fuel-oil plants.
Fuel-oil pumps.
Fuel-oil sumps.
Fuel-oil tanks.
Fuel platforms.
Fuel wharves.
Inclines.
Outhouses.
Scales.
Sheds.
Stationary engines.
Tipple cars.
Weighing apparatus.
Wood racks.

NOTE A.—The cost of fuel stations, coal houses, etc., used solely for supplying fuel to shops, power plants, stations, hotels, tenement houses, or section houses shall be charged to the appropriate accounts relating to the property so supplied.

NOTE B.—The cost of a temporary fuel station established only for use during the construction period shall be included in the primary accounts to which is charged the cost of the work in connection with which the fuel station is used.

NOTE C.—The cost of grading and preparing grounds both before and after the construction of fuel station buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

[fol. 15-23] 20. Shops and Enginehouses:

This account shall include the cost of buildings to be used as shops, enginehouses, and storehouses for material for maintenance of equipment; foundations, except those special to particular machines and other apparatus; furniture and fixtures other than equipment chargeable to account No. 44, "Shop machinery"; drainage, sewerage, and water-supply systems; and plants for heat and light.

Shop and Enginehouse Structures and Details

(See General Instructions, Section 13)

Air-compressor houses.
Ash pits and pockets.
Ash plants.
Bins for material.
Blacksmith shops.
Breakwaters for protection of buildings.
Buildings on piers.
Car sheds.
Car shops.
Carpenter shops.
Cinder pits.
Cinder pockets.
Drop pits.
Dry houses.
Electric-power distribution systems within buildings.
Enginehouses.
Fire-engine houses.
Footbridges (not public highways).
Foundries.
Gas-compressor houses.
Heating plants.
Hose houses.
Ice houses.
Laboratories.
Lighting plants.
Lumber sheds.
Machine shops.
Material and supply truck tracks.
Motor-crane tracks.
Offices, shop.
Oil houses.
Outhouses.
Paint shops.
Pipe lines, air, interior.
Pipe lines, car-heating.
Pipe lines, gas, interior.
Planing mills.
Platforms, shop and yard.
Repair shops.
Sand houses.
Scale houses.
Scrap bins.
Sidewalks.
Stables.
Steam-distribution systems, interior.
Storehouses.
Tanks, gas.
Tanks, oil.
Test rooms.
Tin shops.
Tool houses.
Track scales.
Transfer tables.
Turntables.
Upholstering shops.
Warehouses.
Wash rooms.
Watch houses.

NOTE A.—The cost of distinct power plant buildings for shop purposes shall be included in account No. 29, "Power plant buildings." Cost of distribution systems leading from such power plants to shops and enginehouses shall be included in account No. 32, "Power distribution systems."

NOTE B.—The cost of grading and preparing grounds both before and after the construction of shop and enginehouse buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

NOTE C.—The cost of shop buildings devoted solely to the maintenance of way and structures shall be included in account No. 17, "Roadway buildings."

21. Grain Elevators:

This account shall include the cost of structures for the transfer, treatment, and storage of grain, including cost of conveyors, machinery, and fixtures.

The buildings referred to in this account are not small storage elevators at stations where grain is received for shipment, etc., but large elevators in which grain is stored for various owners.

NOTE A.—Small storage elevators at way stations are classed as station buildings.

NOTE B.—The cost of grading and preparing grounds both before and after the construction of grain-elevator buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

[fol. 15-24] 22. Storage Warehouses:

This account shall include the cost of storage warehouses, including machinery and fixtures therein.

The buildings herein referred to are not the ordinary freight warehouses or stations where freight is received for shipment, etc., but warehouses in which merchandise is stored and which the railway companies or others operate commercially as storage warehouses.

NOTE.—The cost of grading and preparing grounds both before and after the construction of storage warehouse buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

23. Wharves and Docks:

This account shall include the cost of wharves, docks, dry docks, slips, float bridges, and other landings for vessels, including the cost of necessary dredging, and the cost of float-bridge machinery; also the cost of piling, pile protection, cribs, cofferdams, walls, and other necessary devices and apparatus for the operation or protection of wharves and docks.

Details of Wharves and Docks

(See General Instructions, Section 13)

Bridge pontoons.
Bulkheads.
Caissons.
Cribwork.
Dry docks.
Ferry-bridge machinery.
Ferry bridges.
Ferry racks.
Ferry slips.
Jetties.
Jetty inclines.
Transfer-bridge machinery.
Transfer bridges.

NOTE A.—The cost of coal and ore wharves and docks shall be included in account No. 24, "Coal and ore wharves."

NOTE B.—The cost of the land on which wharves are built and cost of riparian or water rights for wharves and docks shall be charged to account No. 2, "Land for transportation purposes."

NOTE C.—The cost of buildings located on wharves shall be included in the accounts appropriate for the class of building.

NOTE D.—The cost of grading and preparing grounds both before and after the construction of wharves (other than coal and ore wharves) and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the wharves, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the wharves.

24. Coal and Ore Wharves:

This account shall include the cost of wharves and docks for the transfer, treatment, blending, or storage of coal or ore, including the cost of necessary dredging and of conveyors, machinery, and fixtures.

NOTE A.—The structures referred to in this account do not include small transfer or storage trestles or wharves at stations where coal is stored or delivered, such trestles being classed as station buildings.

NOTE B.—The cost of grading and preparing grounds both before and after the construction of coal and ore wharves, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the wharves, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the wharves, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the wharves.

25. Gas Producing Plants:

This account shall include the cost of gas producing and gas compressing plants, and the cost of machinery and other apparatus in such plants.

NOTE.—The cost of grading and preparing grounds both before and after the construction of gas-plant buildings, and the cost of constructing sidewalks, driveways, and [fol. 15-25] fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

26. Telegraph and Telephone Lines:

This account shall include the cost of telegraph and telephone lines, including terminal equipment.

Details of Telegraph and Telephone Terminal Equipment

(See General Instructions, Section 13)

Batteries.
Cables and wires, interior.
Conduits, interior.
Connecting wires.
Current-controlling instruments.
Electric generators and motors.
Electric meters.
Engines, stationary.
Fuses and mechanical protectors.
Rectifiers.
Rheostats.
Sending and receiving instruments.
Switchboards.
Testing outfits.
Transformers.

### Details of Telegraph and Telephone Outside Plant

(See General Instructions, Section 13)

Aerial attachments.
Braces.
Brackets.
Cable boxes and appurtenances.
Cables and wires, aerial.
Conduits and appurtenances.
Cross arms.
Guy stubs.
Guy wires.
Insulators.
Poles.
Submarine cables and connections.
Telephone pole boxes.
Towers.
Underground cables and connections.

27. Signals and Interlockers:

This account shall include the cost of interlocking and other signal apparatus for governing the movement of trains, including towers and other buildings in connection therewith.

### Details of Signals and Interlockers

(See General Instructions, Section 13)

Air compressors.
Batteries.
Boilers.
Distant signals.
Dynamos.
Engines, stationary.
Gates at crossings of other railways.
Home signals.
Interlocker buildings.
Interlocker machinery.
Interlocker mechanism.
Levers.
Rail bonds.
Railway-crossing signals.
Relays.
Semaphores.
Signal and switch levers.
Signal arms.
Signal blades.
Signal bridges.
Signal buildings.
Signal lamp brackets and connections.
Signal lamps.
Signal machinery.
Signal poles and foundations.
Signal pulleys and foundations.
Special appliances.
Station signals.
Train-order signals.
Wiring.

NOTE A.—When signal or interlocking apparatus is located in a station building, the entire cost of the building shall be included in account No. 16, "Station and office buildings."

NOTE B.—The cost of grading and preparing grounds both before and after the construction of signal and interlocker buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

[fol. 15-26] 28. Power Dams, Canals, and Pipe Lines:

This account shall include the cost of all dams, canals, pipe lines, and accessories devoted to the utilization of water power for the operation of trains and cars, and to furnish power, heat, and light for general purposes.

Details of Dams, Canals, and Pipe Lines

(See General Instructions, Section 13)

| | |
|---|---|
| Aqueducts. | Penstocks. |
| Bridges. | Reservoirs. |
| Fences. | Roadways. |
| Footbridges. | Sluices. |
| Forebays. | Valves. |
| Gates. | Viaducts. |
| Grids. | Walls. |
| Inlet valves. | Water rights. |

29. Power Plant Buildings:

This account shall include the cost of the buildings of power plants erected to furnish power for the operation of trains and cars, and to furnish power, heat, and light for stations, shops, or general purposes; foundations, except those special to particular machines and other apparatus; drainage, water, and sewer pipes and their connections;

fixtures, including wiring for lighting and heating; and miscellaneous furniture and fixtures.

NOTE A.—The cost of power plant machinery and other apparatus shall be included in account No. 45, "Power plant machinery."

NOTE B.—The cost of grading and preparing grounds, both before and after the construction of power plant buildings, and the cost of constructing sidewalks, driveways, and fences thereon shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

30. Power Substation Buildings:

This account shall include the cost of the buildings of power substations (including storage-battery stations) erected to transform power for the operation of trains and cars, and for heat, light, and general purposes; foundations, except those special to particular machines and other apparatus; drainage, water, and sewer pipes and their connections; fixtures, including wiring, for lighting and heating; and miscellaneous furniture and fixtures.

NOTE A.—The cost of substation machinery and other apparatus for transforming or storing power in power substations shall be included in account No. 46, "Power substation apparatus."

NOTE B.—The cost of grading and preparing grounds, both before and after the construction of power substation buildings, and the cost of constructing sidewalks, driveways, and fences thereon, shall be included in the cost of the buildings, as shall also the fees and expenses of architects specially employed for designing or supervising the construction of the buildings, but the cost of restoring the grounds after addition and betterment work shall be included in the appropriate operating expense accounts. The cost of permanent water rights shall also be included in the cost of the buildings.

31. Power Transmission Systems:

This account shall include the cost of high-tension transmission systems, whether overhead, surface or underground, used for transferring power from producing plants to a place where it is transformed for propelling trains and cars, or for power, heat, light, and general purposes.

Note carefully general instructions, pages 9 to 14.

[fol. 15-27] Details of Power Transmission Systems

(See general instructions, section 13)

Cables.
Cut-outs (not at power houses and substations).
Feed wires.
Guard wires.
Insulators and connections.
Span wires.
Switchboards (not at power houses and substations).
Transformers (not at power houses and substations).

NOTE.—When the electric current generated or received is changed by means of (a) rotary converters, (b) motor generator sets, or (c) static transformers (substation apparatus), that portion of the line or outside conductor system carrying current of other than the operating kind or voltage shall be classed as transmission system. When the electric current is generated or received and used substantially unchanged in voltage and kind, the line or outside conductor system, including any feeders, trolley wires, booster circuits, and supplementary return, shall be classed wholly as distribution system. Tie lines between generating stations and substations shall follow the same rule as other lines.

32. Power Distribution Systems:

This account shall include the cost of distribution systems, whether overhead, surface, or underground, for conveying low-tension electric power from producing plants or transformer stations and for conveying steam and compressed-air from producing plants to the place where used for propelling trains and cars, or for power, heat, light, and general purposes.

## Retails of Power Distribution Systems

(See general instructions, section 13)

Compressed-air pipe lines.
Cut-outs (not at power houses and substations).
Feed wires.
Guard wires.
Insulators and connections.
Overhead trolley wires.
Rail bond plugs.
Rail bonds.
Rail-insulating devices.
Span wires.
Steam pipe lines.
Switchboards (not at power houses and substations).
Third rail.
Third-rail braces.
Third-rail insulation and protection.
Third-rail supports.

NOTE A.—The cost of track material such as insulated rail splices used in connection with distribution systems shall be charged to account No. 10, "Other track material."

NOTE B.—The cost of the portions of distribution systems located within shop buildings and station and office buildings shall be included in the cost of the buildings. The cost of distribution systems in plants used exclusively for operating signals and interlockers shall be included in account No. 27, "Signals and interlockers."

NOTE C.—When the electric current generated or received is changed by means of (a) rotary converters, (b) motor generator sets, or (c) static transformers (substation apparatus), that portion of the line or outside conductor system carrying current of other than the operating kind or voltage shall be classed as transmission system. When the electric current is generated or received and used substantially unchanged in voltage and kind, the line or outside conductor system, including any feeders, trolley wires, booster circuits, and supplementary return, shall be classed wholly as distribution system. Tie lines between generating stations and substations shall follow the same rule as other lines.

33. Power Line Poles and Fixtures:

This account shall include the cost of poles, cross arms, insulating pins, brackets, and other pole fixtures; braces and other supports for holding the poles in position; and

structures for supporting the overhead electric construction.

34. Underground Conduits:

This account shall include the cost of conduits required for underground wires and cables of electric railway construction, including manholes, sewer connections, sewer traps, and all details necessary for the completion of the conduit system.

Note carefully general instructions, pages 9 to 14.

[fol. 15-28] 35. Miscellaneous Structures:

This account shall include the cost of all permanent structures not provided for elsewhere, including all fixtures and furniture to equip them for use.

36. Paving:

This account shall include the cost of paving about tracks in public highways through which the carrier's tracks are laid.

NOTE.—The cost of paving upon the carrier's lands, within the grounds of buildings or other structures, shall be included in the accounts provided for the cost of the structures. The cost of paving upon the carrier's right of way at crossings shall be included in account No. 15, "Crossings and signs."

37. Roadway Machines:

This account shall include the cost of the initial outfit of roadway machines provided for the maintenance of roadway and structures at the time the road is opened for commercial traffic, and the cost of additional roadway machines acquired subsequently.

## List of Roadway Machines

(See general instructions, section 13)

Boilers, portable.
Cars, hand.
Cars, lever.
Cars, motor inspection.
Cars, push.
Cars, (small), crane, for supply yards and general use.
Concrete Mixers.
Ditching machines.
Dredging machines.
Engines, portable.
Grading outfits.
Hydraulic outfits.
Jacks, hydraulic.
Log loaders.
Pile drivers.
Plows, unloading.
Rail unloaders.
Rock crushers.
Steam rollers.
Timber trucks.
Velocipedes.

NOTE A.—When an important addition and betterment project or the construction of a new line necessitates the purchase of roadway machines to be used exclusively thereon, the cost shall be included in the accounts to which the cost of the work is charged. The amount realized from any subsequent sale, or the appraised value of the machines retained after the completion of the special work for which they were purchased, shall be credited to the accounts charged with the cost thereof. The appraised value of such machines retained shall be debited to this account and thereafter considered as the cost of such property.

NOTE B.—The cost of machines for the equipment of roadway shops shall be included in account No. 17, "Roadway buildings," as provided for therein.

NOTE C.—The cost of roadway machines, such as pile drivers, log loaders, hoist engines, and concrete mixers, when permanently mounted for movement on the carrier's tracks, shall be included in account No. 57, "Work equipment."

38. Roadway Small Tools:

This account shall include the cost of the initial outfit of roadway and track small tools provided for the maintenance of way and structures at the time the road is opened for commercial traffic; also the initial outfit of such tools provided for the maintenance of extensions of such road.

## List of Roadway Tools

(See general instructions, section 13)

Adzes.
Anvils.
Augers.
Axes.
Ballast forks.
Bars, claw.
Bars, crow.
Bars, lining.
Bars, pinch.
Bars, raising.
Bars, tamping.
Braces and bits.
Brooms.
Brush hooks.
Cable stretchers.
Cables.
Cans, oil.
Cans, water.
Cant hooks.
Chains.
[fol. 15-29]
Chisels, track.
Chisels, wood.
Curbing hooks.
Dippers.
Drawing knives.
Drill bits.
Drills, portable.
Flags, signal.
Furnaces, portable.
Grindstones.
Hammers, napping.
Hammers, paving.
Hammers, spiking.
Handles for tools.
Hatchets.
Hoes.
Jack levers.
Jacks, ratchet.
Jacks, screw.
Jacks, track.
Kegs, water.
Ladders.
Lanterns and fixtures.
Lawn mowers.
Levels.
Lines for ditching.
Nippers.
Oilstones.
Padlocks.
Pails, water.
Paint brushes.
Picks, clay.
Picks, tamping.
Pike poles.
Post-hole diggers.
Post-hole tampers.
Punches.
Rail benders.
Rail tongs.
Rakes.
Rope.
Saws, crosscut.
Saws, hand.
Scrap boxes.
Scythes.
Shovels.
Sickles.
Sledges.
Spades.
Spike mauls.

Spike pullers.
Spot boards.
Squares.
Straightening machines.
Tape lines.
Thermometers for laying rail.
Tongs.
Tool boxes.
Torches.
Track gauges.
Track levels.
Vises.
Weed spuds.
Wheelbarrows.
Whetstones.
Wood mallets.
Wrenches, monkey.
Wrenches, track.

NOTE.—The cost of roadway and track small tools of which no specific record is kept shall be charged when acquired to an appropriate materials and supplies account, from which they shall be charged as issued to the appropriate road and equipment, operating expense, or other accounts. When such tools are used both for construction and maintenance work the cost shall be equitably apportioned among the accounts provided for the two classes of work.

39. Assessments for Public Improvements:

This account shall include the carrier's proportion of the cost of constructing public improvements—such as grading, sewering, curbing, guttering, paving, and sidewalks—and other public improvements, including the cost of such improvements if made by the carrier's own employees under Government requirements.

NOTE A.—The cost of paving required by Government authority between rails and adjacent to tracks laid through public highways shall be included in account No. 36, "Paving."

NOTE B.—The carrier's proportion of the cost of maintaining such public improvements shall be included in operating expenses.

40. Revenues and Operating Expenses During Construction:

This account shall include the cost of operating a piece of road during the period before the regular operation of revenue trains, including rent and repairs of equipment

used in commercial service during such period. It includes the cost of running construction trains over such section of road when the cost of operating such trains can not properly be charged to any specific account.

To this account shall be credited amounts collected for rents of buildings and other properties and for the transportation of commercial freight or of passengers on construction trains; also the net profits from boarding and commissarial outfits, and other sources of operating revenue.

Carriers which wish to subdivide this account shall use appropriate subaccounts corresponding to accounts prescribed in the operating revenue, operating expense, or income account classifications.

41. Cost of Road Purchased:

This account shall include the cash cost of any road or portion thereof purchased. Where the contract of purchase includes not only road, but also equipment, securities, and other assets, the appraised value of such equipment, securities, and other assets shall be deducted from the total cash cost, and the remainder of the cash cost shall be charged to this account. Where the consideration given for the property purchased is other than cash, such consideration shall be valued on a current cash basis. If the

Note carefully general instructions, pages 9 to 14.

[fol. 15-30] consideration includes the assumption of liabilities, such liabilities shall be included in the determination of the cost at their cash value at the time the contract is made.

This account shall be used only as a clearing account in which temporarily to carry the cost of road purchased until such time as a plan for distributing such cost to the primary accounts appropriate for the property is approved by the Commission.

Note A.—The apraised value of any equipment thus acquired shall be charged to the appropriate equipment accounts. The value, at time of purchase, of any securities, or other assets acquired, shall be included in the accounts appropriate for such assets. The par value of any liabilities assumed shall be included in the appropriate liability accounts, and the necessary adjustments between the cash

value charged to the property accounts and the par value shall be made in the appropriate premium or discount account.

NOTE B.—The carrier shall be prepared to furnish the Commission, upon demand, a full report of the contract of acquisition of each road, or portion thereof, purchased, and a statement showing in detail the consideration given therefor. It should procure, in connection with the acquisition of any such road and equipment, all existing records, memoranda, and accounts in possession or control of the grantor, relating to the construction and improvements of such road and equipment, and shall preserve such records, memoranda, and accounts until authorized by law to destroy or otherwise dispose of them. Where the records, memoranda, and accounts are so intimately involved with other records, memoranda, and accounts of the grantor as to make their transfer impracticable or inadvisable, certified copies of them shall be procured and retained by the grantee. The verity of the copies should be certified by the custodian of the originals.

42. Reconstruction of Road Purchased:

When a road is purchased and the fixed improvements acquired are in such a physical condition that it is necessary substantially to rebuild the road in order to bring it up to the standard required by the carrier, the cost of such rebuilding shall be charged to this account.

NOTE A.—A comprehensive statement of the estimated amount necessary to reconstruct a road in accordance with the above provision shall be made to the Commission as soon as the estimate is made.

NOTE B.—When the work of reconstruction of road purchased is completed, the cost thereof shall be credited to this account and charged to other primary accounts of this classification appropriate for the expenditures made.

43. Other Expenditures—Road:

This account shall include items which can not properly be included in any of the foregoing accounts as a part of the cost of any specific work, such as the cost of transpor-

tation of men, materials, supplies, and equipment over the carrier's own line; amounts paid for rent and repairs of equipment and for injuries to persons incident to and in connection with original road, road extensions, or additions and betterments, and analogous items. When assignable, such expenditures shall be included in the cost of the property in connection with which the expenditure occurs.

NOTE.—Rents paid for and repairs made to equipment used in commercial operations during the period before the regular operation of revenue trains shall be charged to account No. 40, "Revenues and operating expenses during construction."

44. Shop Machinery:

This account shall include the cost of machinery and other apparatus in shops and enginehouses, including the cost of special foundations and installation, and cost of small hard tools necessary first to equip a shop.

[fol. 15-31] List of Shop Machinery

(See general instructions, section 13)

Air compressors.
Ash conveyors.
Belting.
Blowers.
Boilers for furnishing power.
Boring machines.
Cars, motor.
Cars, push.
Cranes.
Drill presses.
Drilling machines.
Drop tables.
Forges.
Framing machines.
Furnaces.
Grinding and polishing machines.
Hoists.
Hydraulic jacks.
Lathes.
Lifting magnets.
Metal chimneys.
Milling machines.
Motors.
Pipe cutting and threading machines.
Planers.
Pneumatic hammers.
Power equipment.
Punches.
Riveters.
Saws.
Shafting.
Shapers.
Slotters.
Stationary engines.
Steam hammers.
Vises.
Welding machines.
Woodworking machines.

NOTE A.—The cost of power plant machinery and other apparatus for shop purposes, when located in distinct buildings, shall be included in account No. 45, "Power plant machinery."

NOTE B.—The cost of foundations other than those special to particular machines and other apparatus shall be included in the cost of the building, and not in this account.

45. Power Plant Machinery:

This account shall include the cost of machinery and other apparatus for generating power in power plants used for the operation of trains and cars, or to furnish power, heat, and light for stations, shops, or general purposes, including the cost of special foundations and installation.

Details of Power Plant Machinery

(See general instructions, section 13)

Ammeters.
Batteries.
Belting.
Boiler-room appliances and tools.
Boilers and fittings.
Boosters.
Cables.
Circuit breakers.
Clutches.
Conductors.
Cranes.
Cut-outs.
Draft machinery.
Dynamos.
Economizers.
Electric-power distribution systems, interior.
Engine-room appliances and tools.
Feed-water heaters.
Furnaces.
Generators.
Globes.
Hangers.
Heating apparatus.
Hoists.
Insulators.
Lamps.
Lighting apparatus.
Lubricating devices.
Machinery and foundations.
Mechanical stokers.
Piping.
Poles.
Pumps.
Purifiers.
Rheostats.
Sewer connections.
Shafting.
Stationary engines.
Steam distribution systems.
Steam fittings.
Switchboards.
Tanks.
Transformers.
Turbines.
Voltmeters.
Water meters.
Water wheels.
Wires from generators or transformers to switchboard.

NOTE A.—The cost of power machinery and other apparatus installed in a shop as part of the shop equipment shall be included in account No. 44, "Shop machinery."

NOTE B.—The cost of power machinery and other apparatus installed in stations and offices and used solely for station and office purposes shall be included in account No. 16, "Station and office buildings."

NOTE C.—The cost of power machinery and other apparatus in plants used solely for operating signals and interlockers shall be included in account No. 27, "Signals and interlockers."

NOTE D.—The cost of foundations other than those special to particular machines and other apparatus shall be included in the cost of the building, and not in this account.

46. Power Substation Apparatus:

This account shall include the cost of machinery and other apparatus, including the cost of special foundations and installation, for transforming or storing power in power sub- [fol. 15-32] stations used for the operation of trains and cars, and for power, heat, and light for stations, shops, or general purposes.

Details of Power Substation Apparatus

(See general instructions, section 13)

| | |
|---|---|
| Rotary converters. | Switchboards. |
| Storage batteries. | Transformers. |

NOTE A.—The cost of constructing machinery and other apparatus for transforming or storing power shall be included in account No. 45, "Power plant machinery," when such equipment is contained in a power plant.

NOTE B.—The cost of foundations other than those special to particular machines and other apparatus shall be included in the cost of the building, and not in this account.

47. Unapplied Construction Material and Supplies:

This account shall include the cost of material and supplies located at the point of use which have been purchased for projected new roads and road extensions.

The purpose of this account is to exclude from the current assets the cost of supplies and unapplied material which are located for use on projected new roads and road extensions, under the condition that the material will not be used for other purposes.

NOTE A.—Material and supplies designed for projected new roads and road extensions which are carried in storehouses and store yards and included in the general stock of an operating company shall be included in balance-sheet account No. 716, "Materials and supplies."

NOTE B.—The cost of unapplied materials and supplies on hand at the completion of construction work shall be transferred to balance-sheet account No. 716, "Materials and supplies."

## II. Equipment

The several primary accounts included in this general account are designed to show the cost of the several classes of equipment owned by the carrier, or held under equipment trust agreements for purchase.

To the appropriate primary accounts in this general account shall be charged the cost of all equipment, such as steam locomotives, electric locomotives, passenger-train cars, freight-train cars, work equipment, floating equipment, and the necessary appurtenances, furniture, and fixtures first to equip for service, including the cost of inspection, setting up, and trying out, and transportation over foreign lines; also the cost of additions, such as headlights, mechanical stokers, power brakes, vestibules, machinery for self-propulsion, heating and lighting apparatus, and the like; and the excess cost of betterments, such as improved appliances, parts, or appurtenances, over the cost at current prices (as new) of the appliances, arts, or appurtenances removed. The cost of removing the old appliances and applying the improved shall be charged to Operating Expenses.

The ledger value of each unit of equipment shall be credited to the appropriate equipment account when it is retired from service. The amount of this credit shall be concurrently charged as follows:

The amount of the balance in the balance-sheet accrued depreciation account with respect to the equipment thus retired shall be charged to that account; the salvage recovered shall be charged to the materials and supplies account or elsewhere, according to the purpose for which used; the amount of depreciation prior to July 1, 1907, not previously written off or provided for, shall be charged to Profit and Loss; and the remainder shall be charged to the appropriate operating expense account for equipment retired. The cost of demolishing the equipment, if demolished by or for the carrier, shall be charged to the appropriate operating expense account for equipment retirements. [fol. 15-33] When the cost of the renewals to be made to any unit of equipment will constitute the major portion of its value as renewed, the equipment, when taken out of service, shall be considered as retired and accounted for as provided in the preceding paragraph, and for the purpose of this classification the renewed equipment shall be considered an addition and the appraised cost thereof shall be included in the account appropriate for the cost of the equipment. In no case shall the charge for the renewed equipment exceed the cost (at current market prices of labor and material) of new equipment of similar type, equal capacity, and equal expectation of life in service, less a suitable allowance on account of the secondhand parts remaining therein.

When equipment of one class is converted so as to be includible in another class, the accounting shall be as provided in general instructions, section 11.

When an important addition and betterment project on the construction of new lines necessitates the purchase of equipment to be used exclusively therein, the cost of such equipment shall be included in the accounts representing the cost of the work, and no charge shall be made to Operating Expenses for depreciation on such equipment while the cost remains so charged. The amount realized from any subsequent sale, or the appraised value of the equipment retained after the completion of the special work for which it was purchased, shall be credited to the accounts charged with its cost. The appraised value of such equipment retained shall be debited to the appropriate primary

account herein, and thereafter, for the purposes of accounting, such appraised value shall be considered as the cost of the equipment.

When secondhand equipment acquired is in such physical condition that it is necessary to make extensive repairs to it to bring it up to the standard required by the carrier, the cost of such repairs shall be included in the account appropriate for the cost of the equipment. A comprehensive statement of the amount estimated to be necessary to rebuild secondhand equipment in accordance with the above provision shall be furnished to the Commission as soon as the estimate is made.

51. Steam Locomotives:

This account shall include the cost of steam locomotives and tenders, purchased or built by the carrier, and of appurtenances, furniture, and fixtures necessary to equip them for service, including the cost of inspection, setting up, and trying out after receipt from builders, and transportation charges to the carrier's line.

List of Appurtenances to Locomotives

(See General Instructions, Section 13)

Air-brake equipment and hose.
Arm rests.
Awnings.
Brake fixtures.
Cab cushions.
Cab lamps.
Clocks.
Coal boards.
Fire-extinguishing apparatus.
Gongs.
Head lamps.
Metallic packing.
Pneumatic sanding equipment.
Seat boxes.
Signal lamps.
Speed recorders.
Steam-gauge lamps.
Steam-heat equipment and hose.
Storm doors.
Tool boxes.
Train-signal equipment and hose.

52. Other Locomotives:

This account shall include the cost of locomotives other than steam, purchased or built by the carrier, and of appurtenances, furniture, and fixtures necessary to equip them for service, including inspection, setting up, and trying out after receipt from builders, and transportation charges to the carrier's line.

NOTE.—Cars with motor equipment are not to be classed as locomotives.

[fol. 15-34] 53. Freight-Train Cars:

This account shall include the cost of freight-train cars of all classes, including motor-driven cars, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip them for service, and the cost of inspection and transportation charges to the carrier's line.

List of Freight-Train Cars

(See General Instructions, Section 13)

Ballast (commercial).
Beer.
Box.
Cabin.
Caboose.
Charcoal.
Coal.
Coke.
Dump (commercial).
Flat.
Fruit.
Furniture.
Gondola.
Gondola (hopper).
Gondola (long).
Gun truck.
Hay.
Lime.
Logging.
Oil tank.
Ore.
Platform.
Poling.
Poultry.
Produce.
Rack.
Refrigerator.
Stock.
Tank and water (when used as commercial cars).

List of Appurtenances to Freight-Train Cars.

(See General Instructions, Section 13)

Air-brake equipment, including hose.
Cooking equipment and utensils.
Cushions.
Heating equipment.
Ice boxes.
Lamps and fixtures.
Seats.
Speed recorders.
Train-signal equipment, including hose.
Water tanks.

NOTE.—The cost of motor equipment of cars shall be included in account No. 55, "Motor equipment of cars."

54. Passenger-Train Cars:

This account shall include the cost of passenger-train cars of all classes, including motor-driven cars, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip them for service, and cost of inspection and transportation charges to the carrier's line.

List of Passenger-Train Cars

(See General Instructions, Section 13)

Baggage.
Baggage-express.
Baggage-mail.
Baggage-Mail-express.
Café.
Buffet.
Chair.
Club.
Colonist.
Dining.
Express.
Immigrant.
Library.
Mail.
Milk.
Observation.
Parlor.
Parlor-baggage.
Passenger.
Passenger-baggage.
Passenger-baggage-mail.
Postal.
Refrigerator-express.
Sleeping.
Smoking.
Tourist.

List of Appurtenances to Passenger-Train Cars

(See General Instructions, Section 13)

Air-brake equipment, including hose.
Bedding.
Chairs.
Coat hooks.
Curtains and fixtures.
Cushions.
Electric bells.
Floor coverings.
Heating equipment.
Ice boxes.
Ice tanks.
Kitchen equipment and utensils.
Lighting equipment.
Mail catchers.
Parcel racks.
Ranges and boilers.
Seats.
Speed recorders.
Steam-heat hose.
Table china.
Table glassware.
Table linen.
Table silver.
Toilet equipment.
Train-signal equipment, including hose.
Water tanks.

NOTE.—The cost of motor equipment of cars shall be included in account No. 55, "Motor equipment of cars."

[fol. 15-35] 55. Motor Equipment of Cars:

This account shall include the cost of motor equipment of all cars, including the wiring for such electric equipment.

Details of Motor Equipment

(See General Instructions, Section 13)

Batteries, storage.
Circuit breakers.
Controllers.
Engines, internal-combustion.
Generators.
Lightning arresters.
Motors.
Overload switches.
Rheostats.
Switches.
Third-rail contact.
Trolley poles.
Trolleys.

56. Floating Equipment:

This account shall include the cost of marine or floating equipment of all kinds except work equipment, purchased or built by the carrier, including all appurtenances, furniture, and fixtures necessary to equip it for service, and cost of inspection and transportation charges to the carrier's line.

## List of Floating Equipment

(See General Instructions, Section 13)

Barges.
Canal boats.
Car and other floats.
Ferryboats.
Lighters.
Power launches.
Power lighters.
Scows.
Steamboats.
Steamships.
Transfer boats.
Tugboats.

## List of Appurtenances to Floating Equipment

(See General Instructions, Section 13)

Anchors.
Axes.
Barometers.
Beds and bedding.
Binnacle lamps.
Blocks and tackle.
Boilers and foundations.
Cables.
Capstan bars.
Carpets.
Charts.
China, crockery, and glassware.
Chronometers.
Clocks.
Compasses.
Counters.
Desks.
Engines and foundations.
Fire buckets.
Fire extinguishers.
Floor coverings.
Flue cleaners.
Furniture.
Gangplanks.
Hatchets.
Heating equipment.
Hoisting equipment.
Hooks.
Keys.
Kitchen equipment.
Life preservers.
Lighting equipment.
Linen.
Lines.
Logs.
Machinery and foundations.
Masts.
Oil cans.
Pianos and other musical instruments.
Pumps.
Racks.
Railings.
Rakes.
Rigging.
Safes.
Sails.
Scales.
Seats, chairs, and cushions.
Shovels.
Slice bars and pokers.
Spyglasses.
Steam distribution systems.
Steering equipment.
Telescopes.
Ticket cases.
Tool boxes.
Tools, miscellaneous.
Tracks on car floats.
Ventilating equipment.
Wrenches.

57. Work Equipment:

This account shall include the cost of work equipment, including motor-driven equipment, purchased or built by the carrier; cost of appurtenances, furniture, and fixtures necessary to equip it for service, and cost of inspection and transportation charges to the carrier's line.

[fol. 15-36] List of Rail Work Equipment

(See General Instructions, Section 13)

Air-brake instruction cars.
Ballast cars.
Ballast unloader cars.
Boarding cars.
Bridge cars.
Business cars.
Camp cars.
Cinder cars.
Concrete mixers (mounted).
Derrick cars.
Dirt spreaders (mounted).
Ditching cars.
Dump cars.
Dynamometer cars.
Gas tank cars.
Grading cars.
Gravel cars.
Indicator cars.
Locomotive tanks used permanently as water cars.
Locomotives.
Officers' cars.
Outfit cars.
Painters' cars.
Pay cars.
Pile drivers (mounted).
Rail saws (mounted).
Salt cars.
Sanding cars.
Scale test cars.
Scraper cars.
Snow dozers.
Snow drags.
Snow plows (moved by but not attached to locomotives).
Sprinkling cars.
Steam shovels.
Steam wrecking derricks.
Supply cars.
Sweeper cars.
Tool cars.
Tool and block cars.
Water cars.
Weed burners (mounted).
Wrecking cars.

(See General Instructions, Section 13)

Derricks.
Dredges.
Pile drivers.

### Appurtenances to Floating Work Equipment

(See General Instructions, Section 13)

Anchors.
Axes.
Barometers.
Beds and bedding.
Blocks and tackle.
Boilers and foundations.
Cables.
China, crockery, and glassware.
Compasses.
Cushions.
Desks.
Engines and foundations.
Fire extinguishers.
Fire buckets.
Floor coverings.
Flue cleaners.
Gangplanks.
Hatchets.
Heating equipment.
Hoisting equipment.
Hooks.
Keys.
Life preservers.
Lightning equipment.
Linen.
Lines.
Machinery and foundations.
Masts.
Oil cans.
Pumps.
Rakes.
Rigging.
Sails.
Seats and chairs.
Shovels.
Slice bars and pokers.
Steam distribution systems.
Steering equipment.
Tool boxes.
Tools, miscellaneous.
Wrenches.

NOTE.—The cost of motor equipment of cars shall be included in account No. 55, "Motor equipment of cars."

58. Miscellaneous Equipment:

This account shall include the cost of horses and harness; and cost of wagons, automobiles, and other highway vehicles.

### III. General Expenditures

The primary accounts of this general account are designed to include expenditures made in connection with the acquisition and construction of original road and equipment, and with extensions, additions, and betterments to road and equipment property, when such expenditures can not properly be included in any of the foregoing accounts as a part of the cost of any specific work. When assignable, such expenditures shall be included in the cost of the property in connection with which the expenditures occur.

71. Organization Expenses:

This account shall include all fees paid to governments for the privilege of incorporation, and office and other expenditures incident to organizing the corporation and putting it in readiness to do business; cost of preparing and distributing prospectuses; cost of soliciting subscriptions [fol. 15-37] for stock; cash fees paid to promoters, and the actual cash value (at the time of the organization) of securities paid to promoters for their services in organizing the enterprise; special counsel fees; cost of preparing and issuing certificates of stock; cost of procuring the necessary certificates from State authorities; and other like costs.

NOTE.—Cost of soliciting for loans or for the sale of bonds or other evidences of indebtedness shall be charged to balance-sheet account No. 725, "Discount on funded debt."

72. General Officers and Clerks:

This account shall include the pay and expenses of executive and general officers and of general office clerks engaged exclusively in connection with the construction of new road and extensions.

NOTE.—The salaries and expenses of executive and general office clerks engaged in connection with the conduct of commercial operations during the period before the regular operation of revenue trains shall be included in account No. 40, "Revenues and operating expenses during construction."

73. Law:

This account shall include specific and distinct expenditures, not provided for elsewhere, for law service in connection with the acquisition of new road, road extensions, additions, and betterments, such as pay and expenses of counsolicitors, and attorneys, their clerks and attendants, and expenses of their offices.

Items of Expense

(See General Instructions, Section 13)

Arbitrator's services in settlement of disputed questions.
Cost of taking depositions.
Cost of testimony.
Costs of suits.
Court bonds.
Court expenses.
Express charges.
Fees and retainers of attorneys not regularly employed.
Law books.
Legal forms.
Legal reports.
Notarial fees not provided for elsewhere.
Office expenses.
Printing of briefs, testimony, etc.
Rent of offices.
Special fees.
Telegraph service.
Telephone service.
Traveling expenses.
Witness fees not provided for elsewhere.

NOTE.—Court costs and special counsel fees in connection with the acquisition of land for transportation operations shall be included in account No. 2, "Land for transportation purposes."

74. Stationery and Printing:

This account shall include the cost of stationery, stationery supplies, postage, office devices, and printed matter used by any class of employees in connection with construction and not provided for elsewhere.

Items of Stationery and Printing

(See General Instructions, Section 13)

Adding machines.
Addressographs and Supplies.
Arm rests.
Binders.
Blank books.
Blotters.
Blotting paper.
Bristol board.
Calculating machines.
Calendar.
Carbon paper.
Cardboard.
Cards, blank and printed.
Circulars.
Computing tables.
Copy (impression) books.
Copying brushes.
Copying presses.
Crayons.

Cross-section books.
Cross-section paper.
Cyclostyles.
Dating stamps and ribbons.
Dictaphones.
Dictographs.
Drawing paper.
Duplicators.
Electric pens.
Envelopes.
Erasers, rubber and steel.
Eyelet punches.
Eyelets.
File boxes.
Forms, blank and printed.
Fuel tickets.
Glass pens.
Hactographs.
[fol. 15-38]
Indexes.
Ink for writing and drawing.
Inkstands.
Invoice books.
Legal cap paper.
Letter paper.
Manifold paper.
Manifold pens.
Mimeographs.
Mucilage.
Mucilage brushes.
Neostyles.
Note paper.
Notices.
Numbering stamps.
Oil paper.
Paper
Paper baskets.
Paper clips.
Paper cutters.
Paper fasteners.
Paper files.
Paper weights.
Papyrographs.
Parchment paper.
Pencil sharpeners.
Pencils for writing and drawing.
Penholders.
Penracks.
Pens for writing and drawing.
Phonographs and records.
Pins.
Postage.
Punches (not conductors' or baggagemen's).
Rubber bands.
Rubber stamps.
Rulers.
Ruling pens.
Scrapbooks.
Sealing wax.
Seals.
Shears.
Shipping tags.
Shorthand notebooks.
Sponge cups.
Sponges.
Stamps, impression.
Stylographs.
Tablets, blank and printed.
Tape.
Telegraph blanks.
Time-tables.
Tissue (impression) paper.
Tracing cloth.
Tracing paper.
Twine.
Typewriters and ribbons.
Wage tables.
Wastebaskets.
Water colors.
Water holders.
Waybills.
Wrapping paper.
Wringers for copying presses.

NOTE A.—The cost of printing bonds, etc., in connection with the carrier's funded debt shall be included in balance-sheet account No. 725, "Discount on funded debt."

NOTE B.—The cost of stationery and printing, when assignable, shall be included in the cost of the property in connection with the acquirement or construction of which the expenditure occurs.

75. Taxes:

This account shall include State, county, township, city, school, road, annual franchise, and all other taxes and assessments levied and paid on property belonging to the carrier during construction and before the facilities are used for commercial operations, except special assessments for street and other improvements chargeable to account No. 36, "Paving," or No. 39, "Assessments for public improvements."

NOTE.—Taxes during construction, when assignable, shall be included in the cost of the property acquired or constructed.

76. Interest During construction:

When any bonds, notes, or other evidences of indebtedness are sold, or any interest-bearing debt is incurred for acquisition and construction of original road and equipment, extensions, additions and betterments, the interest accruing on the part of the debt representing the cost of property chargeable to road and equipment accounts (less interest, if any, allowed by depositaries on unexpended balances) after such funds become available for use and before the receipt or the completion or coming into service of the property so acquired shall be charged to this account.

When such securities are sold at a premium the proportion of such premium assignable to the time between the date of the actual issuance of the securities and the time when the property acquired or the improvement made be-

comes available for service shall be credited to this account.

This account shall also include such proportion of the discount and expense on funded debt issued for the acquisition of original road, original equipment, road extensions, additions, and betterments, as is equitably assignable to the period between the date of the actual issuance of securities and the time when the property acquired or the improvement made becomes available for the service for which it [fol. 15-39] is intended. The proportion of discount and expense thus chargeable shall be determined by the ratio between the period prior to the completion or coming into service of the facilities or improvements acquired and the period of the entire life of the securities issued.

This account shall also include reasonable charges for interest, during the construction period before the property becomes available for service, on the carrier's own funds expended for construction purposes.

NOTE A.—Interest on bonds, notes, or other evidences of indebtedness accruing before the proceeds from the sale of the securities become available for use shall not be included in this account, nor shall there be included any interest accruing after the property with respect to which the proceeds are expended is received or becomes available for use in connection with commercial service.

NOTE B.—If any securities which have been issued or assumed by the carrier are sold or exchanged by or for the carrier for a consideration the actual money value of which at the time of such sale or exchange is less than the value of the securities at par and the accrued interest thereon, if any, the difference between the money value of the consideration received and the par value of the securities plus the accrued interest shall be deemed a discount. In no case (except as provided in the third and fourth paragraphs of this account) shall discounts be included as part of the cost of anything charged to any account prescribed in this classification.

NOTE C.—For definition of securities actually issued, see Note B, under general balance-sheet account No. 755, "Funded debt unmatured."

NOTE D.—Whenever interest, premium, or discount assignable to the construction period is incurred in connection with an expenditure covered by some specific road and

equipment account or accounts, such interest, premium, or discount shall be charged directly to the specific accounts to which it is related.

77. Other Expenditures—General.

This account shall include all expenditures of a special and incidental nature in connection with the acquisition and construction of original road and equipment, road extensions, additions, and betterments which can not properly be included in any other account in this classification.

[fol. 15a] PETITIONERS' EX. No. 9 (Continued)

Interstate Commerce Commission, Washington

In the Matter of a Uniform System of Accounts to be Kept by Steam Roads

At a Session of the Interstate Commerce Commission, Division 4, Held at Its Office, in Washington, D. C., on the 14th Day of January, A. D. 1921

The matter of establishing the requirement that expenditures by steam roads for additions and betterments up to a certain maximum shall be charged to operating expenses being under consideration:

It is ordered, That the following instructions are hereby prescribed as the second paragraph of section 2, of the general instructions on page 9 of the Classification of Investment in Road and Equipment of Steam Roads, Issue of 1914:

If the total cost of additions and betterments to any class of equipment, or any class of fixed improvements (except additional, or extension of, tracks), under a general plan, considered as a whole, is less than $100, the amount expended shall be charged to the appropriate account in operating expenses. This rule is not to be construed as authorizing the parcelling of expenditures in order to bring them within this limit.

It is further ordered, That this order shall become effective on January 1, 1921.

By the Commission, Division 4.

George B. McGinty, Secretary. (Seal.)

[fol. 15b] PETITIONERS' EX. NO. 9 (Continued)

Interstate Commerce Commission, Washington

In the Matter of a Uniform System of Accounts to be Kept by Steam Roads

At a Session of the Interstate Commerce Commission, Division 4, Held at Its Office, in Washington, D. C., on the 25th Day of July, 1925

The matter of uniformity in accounting for the cost of repairs of equipment being under consideration:

It is ordered, That the fifth paragraph of the text of general account II, "Equipment," appearing on page 33 of the Classification of Investment in Road and Equipment of Steam Roads, issue of 1914, be, and it is, hereby canceled.

It is further ordered, That this order shall become effective on August 1, 1925, and that thereafter all repairs of equipment shall be charged to operating expenses. In the application of this rule, due consideration must be given to the general instructions in the Classification of Investment in Road and Equipment with respect to the accounting for additions to, and betterments of equipment.

By the Commission, Division 4.

George B. McGinty, Secretary. (Seal.)

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[fol. 16] OFFERS IN EVIDENCE

Petitioners offered as part of the record, the opinion of the Interstate Commerce Commission in Texas Midland Railroad, 75 Interstate Commerce Commission Reports, pages 1 to 186, inclusive, and especially Appendix 3 thereof as explanatory of the methods pursued by the Commission in arriving at the determination of what, in this case, is described for the O'Fallon as "the basic value as of June 30, 1919," which was duly admitted and made a part of the record by reference, but was not given an exhibit number.

Petitioners then offered in evidence photostatic copies of certain pages of the "Statistics of Railways" published an-

nually by the Commission, marked for identification as "Petitioners' Ex. No. 10" for the purpose of controverting the statement contained in the report of the Commission (p. 29) that there existed no reliable data on the basis of which cost of construction or cost of reproduction during the post-war period could be determined, and stating in connection with said offer that although it believed the Court could take judicial notice of the contents of said exhibit in verification of facts of common knowledge, it desired in addition to offer the same in evidence, to the introduction of which exhibit solicitors for the defendant objected on the following grounds: (1) That petitioners' statement of what appears in the report of the commission, page 29, referred to in petitioners' offer, is not correct, but that the commission on page 29 of its report, said: "The use of cost of reproduction is by no means free from practical difficulties. For example, the record here shows that there was a dearth of reliable data from which an accurate estimate of such cost could be made for the period 1920 to 1923" and also in the Commission's report, page [fol. 16a] 41: "* * * there is not in the present record evidence showing what it might have cost to reproduce the property of the O'Fallon at that time. The only evidence in this respect is that of the relation of general prices in 1914 and in 1920 and the other recapture years. Costs of railroad building, owing to improvements in methods and economies thereby effected, did not vary greatly during the period of 20 years preceding 1914, although the prices of labor and material fluctuated. There is no testimony here as to how much it cost to build any railroad or any substantial part of one in any of the recapture periods, and for that reason it is impossible to make a comparison of such costs in the two periods"; (2) that the evidence now offered by petitioners was not a part of the record before the commission and is not a summary or statement made from any evidence that was before the commission; and (3) that the evidence now offered by petitioners is not susceptible of proper use for the purpose for which it is being offered and in particular that the figures given in the evidence now offered do not differentiate in any respect between new construction and maintenance and repairs, or between the laying of new rails

for additional side track, increase in facilities in a terminal, or the construction of new lines. The objection was sustained on the grounds that so far as appeared to the Court said Exhibit 10 did not appear to have been referred to in the evidence introduced before the Commission or in any way to have been before the Commission when it determined the O'Fallon case, and was thereupon excluded from evidence, to which ruling of the Court petitioners duly excepted, and their exception was allowed. Said papers, marked for identification as "Petitioners' Ex. No. 10," are in words and figures as follows:

(Here follows Petitioners' Exhibit No. 10, marked side folio pages 16b, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24)

[fol. 17] Petitioners thereupon offered in evidence a document marked for identification "Petitioners' Exhibit No. 11" entitled "Monthly Labor Review, Volume XXIV, No. 2, February 1927" and particularly such pages in said document as indicated the changes in the price levels from time to time, especially what is generally known as "All-Commodity Index of Wholesale Prices." Petitioners' said Exhibit No. 11 was offered to bring down to date the price levels similarly described and shown in a prior issue of the same document, offered in evidence before the Commission to show that there existed a stability of said price levels since the date of the record before the Commission. Solicitors for the defendants objected to the introduction of said Exhibit on the ground that it did not appear that said information was before the Commission when it determined the O'Fallon case. Petitioners' Exhibit 11 was thereupon excluded from evidence, to which ruling of the court, petitioners duly excepted and their exception was allowed. The pertinent pages of the document marked for identification "Petitioners' Exhibit No. 11" are in words and figures as follows:

EXCERPTS FROM PETITIONERS' EXHIBIT 11

[fol. 18] The index number of wholesale prices, based on 1913 as 100 for the years concerned in this case and subsequent thereto are as follows:

# PETITIONS EXHIBIT NO. 10

STATEMENT No. 14.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED BY CLASS I CARRIERS DURING THE YEAR ENDED DEC. 31, 1939.

| | All Districts. | | Eastern District. | | Southern District. | | Western District. | |
|---|---|---|---|---|---|---|---|---|
| | Installed. | Retired. | Installed. | Retired. | Installed. | Retired. | Installed. | Retired. |
| **Locomotives:** | | | | | | | | |
| Steam | 1,000 | 1,338 | 340 | 000 | 120 | [illegible] | 000 | 477 |
| Other | 16 | 1 | ..... | 1 | ..... | ..... | 15 | ..... |
| Total | 1,017 | 1,354 | 340 | 000 | 120 | 146 | 040 | 411 |
| **Freight-train cars:** | | | | | | | | |
| Box cars | 10,747 | 33,781 | 7,010 | 11,004 | 1,000 | 4,001 | 0,000 | 12,000 |
| Flat cars | 70 | 4,000 | ..... | 1,004 | 70 | 1,004 | ..... | 2,000 |
| Stock cars | 1,000 | 4,000 | ..... | 1,700 | 144 | 000 | 1,000 | 2,000 |
| Coal cars | 13,000 | 30,004 | 0,370 | 20,007 | 2,740 | 4,700 | 1,000 | 2,000 |
| Tank cars | 701 | 110 | ..... | 20 | ..... | 12 | 701 | 00 |
| Refrigerator cars | 004 | 2,004 | 000 | 1,001 | ..... | 00 | 000 | 1,000 |
| Caboose cars | 000 | 700 | 101 | 000 | 127 | 100 | 000 | 000 |
| Other freight-train cars | 000 | 2,000 | 01 | 041 | 140 | 07 | 000 | 1,011 |
| Total | 30,004 | 70,107 | 10,004 | 40,100 | 4,000 | 11,001 | 12,000 | 24,000 |
| **Passenger-train cars:** | | | | | | | | |
| Coaches | 000 | 077 | 110 | 007 | 10 | 00 | 70 | 110 |
| Combination passenger cars | 0 | 00 | ..... | 40 | ..... | 10 | 0 | 00 |
| Other combination cars | 00 | 00 | 00 | 00 | ..... | 11 | 10 | 00 |
| Restaurant cars | 0 | 0 | 1 | 1 | ..... | ..... | 1 | 1 |
| Dining cars | 07 | 00 | 10 | 10 | 0 | 0 | 0 | 10 |
| Parlor cars | 10 | 00 | 0 | 0 | 0 | 0 | 4 | 10 |
| Sleeping cars | 1 | 0 | ..... | ..... | ..... | ..... | 1 | 0 |
| Baggage and express cars | 000 | 140 | 100 | 00 | 01 | 40 | 110 | 00 |
| Postal cars | ..... | 110 | ..... | 07 | ..... | 0 | ..... | 00 |
| Other passenger-train cars | 00 | 00 | 1 | 00 | 10 | 0 | 14 | 0 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Combination passenger cars | 6 | 26 | | 40 | | 10 | 6 | 26 |
| Other combination cars | 80 | 68 | 26 | 22 | | 13 | 16 | 26 |
| Sleeping cars | 2 | 2 | 1 | 1 | | | 1 | 1 |
| Dining cars | 27 | 20 | 16 | 15 | 2 | 2 | 6 | 13 |
| Parlor cars | 15 | 20 | 6 | 6 | 6 | 2 | 4 | 13 |
| Sleeping cars | 1 | 6 | | | | | 1 | 6 |
| Baggage and express cars | 202 | 140 | 105 | 22 | 41 | 42 | 116 | 56 |
| Postal cars | | 130 | | 27 | | 2 | | 21 |
| Other passenger-train cars | 22 | 20 | 1 | 21 | 16 | 6 | 14 | 6 |
| Total | 661 | 626 | 276 | 461 | 166 | 120 | 262 | 268 |
| Company service cars: | | | | | | | | |
| Officers' and pay cars | 16 | 16 | 2 | 7 | 2 | 1 | 10 | 20 |
| Ballast cars | 856 | 1,006 | 77 | 461 | 61 | 80 | 207 | 661 |
| Derrick cars | 20 | 26 | 20 | 17 | 2 | 6 | 6 | 11 |
| Snow sheds | 6 | 20 | 1 | 6 | 1 | 4 | 2 | 12 |
| Wrecking cars | 46 | 240 | | 180 | 20 | 20 | 46 | 21 |
| Other company service cars | 4,066 | 2,006 | 2,200 | 2,122 | 427 | 270 | 2,100 | 1,664 |
| Total | 6,000 | 6,400 | 2,402 | 2,700 | 666 | 360 | 2,466 | 2,200 |
| All classes of cars in service | 62,272 | 62,401 | 10,171 | 46,240 | 6,227 | 11,660 | 17,770 | 20,042 |
| Floating equipment: | | | | | | | | |
| Steamboats and tugboats | 6 | 10 | 1 | 12 | 1 | 2 | 2 | 4 |
| Barges, car floats, and canal boats | 16 | 70 | 11 | 61 | 4 | 1 | | 6 |
| Other floating equipment | 6 | 4 | 4 | 2 | 1 | 1 | 1 | 1 |
| Total | 20 | 82 | 16 | 76 | 6 | 4 | 4 | 11 |

## FOR THE YEAR ENDED DECEMBER 31, 1920. XIX

STATEMENT No. 15.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED FROM SERVICE DURING THE YEAR, CLASS I CARRIERS—YEARS 1907 TO 1920, INCLUSIVE.

| Year ended— | Locomotives. | | Passenger-train cars. | | Freight-train cars. | | Company service cars. | |
|---|---|---|---|---|---|---|---|---|
| | Number installed during year. | Number retired during year. | Number installed during year. | Number retired during year. | Number installed during year. | Number retired during year. | Number installed during year. | Number retired during year. |
| June 30, 1907 | 2,774 | 36 | 1,060 | 41 | 102,606 | 1,541 | 11,309 | 320 |
| 1908 | 2,227 | 1,140 | 2,103 | 1,020 | 171,586 | 70,976 | 12,950 | 4,078 |
| 1909 | 1,549 | 1,223 | 1,706 | 1,201 | 67,025 | 62,222 | 7,223 | 4,241 |
| 1910 | 2,672 | 1,452 | 2,566 | 1,014 | 134,060 | 76,652 | 15,026 | 6,025 |
| 1911 | 2,694 | 1,456 | 4,250 | 1,701 | 125,522 | 66,011 | 13,021 | 6,021 |
| 1912 | 2,251 | 1,656 | 2,060 | 1,267 | 97,972 | 60,676 | 10,020 | 6,020 |
| 1913 | 4,241 | 2,240 | 2,022 | 1,042 | 162,470 | 90,025 | 12,014 | 6,007 |
| 1914 | 2,245 | 1,662 | 2,020 | 1,054 | 100,012 | 90,005 | 12,264 | 6,120 |
| 1915 | 1,114 | 1,067 | 2,064 | 1,265 | 66,012 | 90,247 | 10,220 | 11,767 |
| 1916 | 1,475 | 2,676 | 1,251 | 2,156 | 66,254 | 102,066 | 12,066 | 12,446 |
| Dec. 31, 1917 | 2,146 | 1,422 | 2,226 | 1,071 | 117,210 | 62,253 | 9,446 | 6,027 |
| 1918 | 2,022 | 977 | 1,017 | 1,051 | 66,240 | 36,054 | 9,210 | 6,020 |
| 1919 | 2,062 | 960 | 626 | 670 | 76,010 | 42,274 | 6,226 | 4,220 |
| 1920 | 1,017 | 1,264 | 622 | 965 | 20,044 | 75,197 | 6,026 | 6,460 |

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STATEMENT No. 67.—SUMMARY OF NET CHARGES TO INVESTMENTS IN ROAD AND EQUIPMENT, YEAR ENDED DEC. 31, 1930.

| Name of account. | Class I carriers and their nonoperating subsidiaries. | | | | Class I carriers. | | | | Nonoperating companies subsidiary to Class I carriers. | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All Districts. | Eastern District. | Southern District. | Western District. | All Districts. | Eastern District. | Southern District. | Western District. | All Districts. | Eastern District. | Southern District. | Western District. |
| (1) Engineering | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (2) Land for transportation purposes | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (3) Grading | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (4) Underground power tubes | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | |
| (5) Tunnels and subways | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (6) Bridges, trestles, and culverts | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (7) Elevated structures | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | |
| (8) Ties | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (9) Rails | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (10) Other track material | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (11) Ballast | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (12) Track laying and surfacing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (13) Right-of-way fences | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (14) Snow and sand fences and snowsheds | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (15) Crossings and signs | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (16) Station and other buildings | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (17) Roadway buildings | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (18) Water stations | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (19) Fuel stations | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (20) Shops and enginehouses | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (21) Grain elevators | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (22) Storage warehouses | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (23) Wharves and docks | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (24) Coal and ore wharves | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (25) Gas producing plants | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (26) Telegraph and telephone lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (27) Signals and interlockers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (28) Power dams, canals, and pipe lines | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | |
| (29) Power plant buildings | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (30) Power substation buildings | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (31) Power transmission systems | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (32) Power distribution systems | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (33) Power line poles and fixtures | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (34) Underground conduits | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | |
| (35) Miscellaneous structures | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (36) Paving | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (37) Roadway machines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (38) Roadway small tools | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (39) Assessments for public improvements | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (40) Revenues and operating expenses during construction | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (41) Cost of road purchased | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (42) Reconstruction of road purchased | [illegible] | [illegible] | | | [illegible] | [illegible] | | | [illegible] | [illegible] | | |
| (43) Other expenditures—road | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (44) Shop machinery | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (45) Power plant machinery | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

STATEMENT NO. 47.—SUMMARY OF NET CHARGES TO INVESTMENTS IN ROAD AND EQUIPMENT, YEAR ENDED DEC. 31, 1920—Continued.

| Name of account | Class I carriers and their nonoperating subsidiaries. | | | | Class I carriers. | | | | Nonoperating companies subsidiary to Class I carriers. | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All Districts. | Eastern District. | Southern District. | Western District. | All Districts. | Eastern District. | Southern District. | Western District. | All Districts. | Eastern District. | Southern District. | Western District. |
| (46) Power substation apparatus | $301,523 | $210,457 | $9,000 | $81,067 | $283,264 | $201,447 | $9,000 | $82,265 | $8,259 | $9,010 | ..... | $257 |
| (47) Unapplied construction material and supplies | 447,191 | 197,159 | 104,377 | 146,745 | 441,958 | 143,088 | 108,677 | 216,177 | 14,311 | 54,089 | ..... | 89,221 |
| Total expenditures for road | $13,701,304 | 78,235,274 | 20,300,230 | $105,970,459 | 106,205,259 | 71,770,953 | 27,425,227 | 97,009,048 | $17,488,980 | 6,455,370 | $2,172,980 | $ 8,860,632 |
| (51) Steam locomotives | 122,340,143 | 41,423,676 | 25,349,015 | 54,967,452 | 121,264,904 | 41,730,260 | 25,349,015 | 54,205,229 | 704,241 | 82,265 | ..... | 621,976 |
| (52) Other locomotives | 1,300,439 | 111,133 | 51,542 | 1,439,764 | 1,288,439 | 111,133 | 51,542 | 1,439,764 | ..... | ..... | ..... | ..... |
| (53) Freight-train cars | 191,197,085 | 46,359,719 | 22,385,039 | 72,392,019 | 192,247,709 | 46,745,536 | 22,385,939 | 72,954,232 | 1,049,160 | 477,797 | ..... | 572,323 |
| (54) Passenger-train cars | 6,303,955 | 1,739,302 | 1,359,922 | 3,112,651 | 6,439,854 | 1,772,130 | 1,385,922 | 3,187,804 | 77,899 | 32,160 | ..... | 44,739 |
| (55) Motor equipment of cars | 58,818 | 21,911 | 5,100 | 29,204 | 27,798 | 21,911 | 5,100 | 114,039 | 30,021 | ..... | ..... | 30,021 |
| (56) Floating equipment | 5,232,145 | 4,229,214 | 52,163 | 2,971,764 | 4,980,780 | 648,474 | 52,163 | 3,919,953 | 3,251,355 | 3,580,744 | ..... | 51,611 |
| (57) Work equipment | 4,965,223 | 1,088,312 | 530,967 | 1,430,944 | 3,930,223 | 1,045,952 | 530,967 | 1,752,459 | 105,000 | 33,360 | ..... | 38,641 |
| (58) Miscellaneous equipment | 140,386 | 90,623 | 23,479 | 76,955 | 104,223 | 80,263 | 23,479 | 60,362 | 36,163 | 10,360 | ..... | 14,803 |
| Total expenditures for equipment | $ 333,322,317 | 135,968,133 | 60,340,316 | $137,149,388 | 330,607,101 | 132,743,242 | 60,340,316 | 137,592,263 | $ 2,760,110 | 3,142,701 | ..... | $ 402,473 |
| (71) Organization expenses | 4,618 | 2,101 | 1,413 | 105 | 4,489 | 2,184 | 1,413 | 292 | 129 | ..... | ..... | 129 |
| (72) General officers and clerks | 139,245 | 10,720 | 72,445 | 56,106 | 105,722 | 10,720 | 66,006 | 28,955 | 33,523 | ..... | 5,439 | 28,073 |
| (73) Law | 12,700 | 807 | 630 | 11,331 | 8,999 | 2,701 | 427 | 11,302 | 4,670 | 4,808 | 333 | 52 |
| (74) Stationery and printing | 15,170 | 340 | 15,322 | 491 | 14,453 | 340 | 14,273 | 180 | 717 | ..... | 1,049 | 332 |
| (75) Taxes | 129,301 | 91,135 | 8,831 | 38,679 | 119,426 | 87,903 | 4,089 | 33,035 | 9,155 | 3,232 | 1,549 | 4,374 |
| (76) Interest during construction | 4,001,304 | 1,309,302 | 1,015,945 | 827,031 | 3,790,464 | 1,151,430 | 1,057,853 | 781,521 | 220,764 | 17,102 | 136,092 | 65,330 |
| (77) Other expenditures—General | 49,055 | 33,721 | 3,347 | 66,781 | 46,744 | 32,995 | 2,479 | 56,339 | 11,700 | 10,726 | 868 | 106 |
| Total general expenditures | 4,343,672 | 1,499,169 | 1,099,672 | 947,040 | 3,961,254 | 1,053,332 | 1,148,321 | 706,491 | 282,418 | 35,020 | 147,581 | 99,259 |
| Grand total | 351,367,127 | 215,702,667 | 81,541,024 | 243,995,948 | 330,930,625 | 204,196,889 | 88,221,164 | 235,431,980 | 20,440,314 | 9,632,790 | 2,320,660 | 9,495,524 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (71) Organization expenses | | | | | | | | | | | | |
| (72) General officers and clerks | | | | | | | | | | | | |
| (73) Law | | | | | | | | | | | | |
| (74) Stationery and printing | | | | | | | | | | | | |
| (75) Taxes | | | | | | | | | | | | |
| (76) Interest during construction | | | | | | | | | | | | |
| (77) Other expenditures—General | | | | | | | | | | | | |
| Total general expenditures | | | | | | | | | | | | |
| Grand total | | | | | | | | | | | | |

[1] Includes $6,847, credit, miscellaneous.

[2] Includes $473,191, credit, undistributed.

STATEMENT No. 68.—SUMMARY OF CHARGES AND CREDITS TO INVESTMENT IN ROAD AND EQUIPMENT, BY GENERAL ACCOUNTS, YEAR ENDED DEC. 31, 1920.

| Item. | Grand total. | I. Road. | II. Equipment. | III. General expenditures. | Grand total. | I. Road. | II. Equipment. | III. General expenditures. |
|---|---|---|---|---|---|---|---|---|
| | Class I carriers and their nonoperating subsidiaries. | | | | | | | |
| | All Districts. | | | | Eastern District. | | | |
| Expenditures for new lines and extensions | | | | | | | | |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | | | | | | | | |
| Made on leased lines | | | | | | | | |
| Credits for property retired | | | | | | | | |
| Adjustments | | | | | | | | |
| Net charges during year | | | | | | | | |
| | Southern District. | | | | Western District. | | | |
| Expenditures for new lines and extensions | | | | | | | | |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | | | | | | | | |
| Made on leased lines | | | | | | | | |
| Credits for property retired | | | | | | | | |
| Adjustments | | | | | | | | |
| Net charges during year | | | | | | | | |
| | Class I Carriers. | | | | | | | |
| | All Districts. | | | | Eastern District. | | | |
| Expenditures for new lines and extensions | | | | | | | | |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | | | | | | | | |
| Made on leased lines | | | | | | | | |
| Credits for property retired | | | | | | | | |
| Adjustments | | | | | | | | |
| Net charges during year | | | | | | | | |

16 b (3)

STATEMENT No. 48.—SUMMARY OF CHARGES AND CREDITS TO INVESTMENT IN ROAD AND EQUIPMENT, BY GENERAL ACCOUNTS, YEAR ENDED DEC. 31, 1920—Continued.

| Item. | Grand total. | I. Road. | II. Equipment. | III. General expenditures. | Grand total. | I. Road. | II. Equipment. | III. General expenditures. |
|---|---|---|---|---|---|---|---|---|
| | Class I Carriers—Continued. | | | | | | | |
| | Southern District. | | | | Western District. | | | |
| Expenditures for new lines and extensions | $8,888,227 | $2,479,415 | $6,228,655 | $180,157 | $35,068,038 | $23,998,419 | $1,775,383 | $194,236 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 68,172,986 | 28,027,551 | 60,466,967 | 630,448 | 245,207,193 | 85,091,511 | 136,248,440 | 865,242 |
| Made on leased lines | 4,196,206 | 2,134,726 | 1,279,063 | 784,517 | 2,996,322 | 2,978,845 | 14,124 | 3,353 |
| Credits for property retired | 12,466,095 | 2,466,265 | 9,973,268 | 17,537 | 37,170,732 | 15,938,795 | 22,180,514 | 2,443 |
| Adjustments | *448,870 | *6,786,110 | 2,317,204 | *57,964 | *1,668,801 | *8,669,534 | 1,713,511 | 518,079 |
| Net charges during year | 69,321,164 | 27,425,227 | 60,246,516 | 1,549,321 | 235,431,380 | 97,080,946 | 137,502,344 | 743,089 |
| | Nonoperating companies subsidiary to Class I Carriers. | | | | | | | |
| | All Districts. | | | | Eastern District. | | | |
| Expenditures for new lines and extensions | 1,898,077 | 1,455,642 | 10,285 | 183,750 | 128,529 | 118,554 | 10,285 | |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 29,041,338 | 22,967,521 | 6,935,879 | 139,628 | 14,615,252 | 10,185,157 | 4,293,126 | 37,069 |
| Made on leased lines | 143,077 | 143,077 | | | 143,077 | 143,077 | | |
| Credits for property retired | 7,082,783 | 4,793,645 | 2,289,793 | 3,343 | 4,237,110 | 3,031,998 | 1,205,123 | |
| Adjustments | *1,449,786 | *1,899,985 | *554,863 | 7,617 | *1,010,251 | *889,413 | *59,497 | *1,481 |
| Net charges during year | 20,510,514 | 17,469,980 | 3,740,116 | 282,418 | 9,633,798 | 6,456,379 | 3,142,791 | 35,629 |
| | Southern District. | | | | Western District. | | | |

| | All Districts. | | | | Eastern District. | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | 1,000,077 | 1,405,642 | 10,295 | 155,730 | 138,830 | 118,564 | 10,295 | ..... |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 20,041,330 | 22,097,931 | 6,205,679 | 130,620 | 14,615,222 | 10,105,127 | 4,205,128 | 37,049 |
| Made on leased lines | 143,077 | 143,077 | ..... | ..... | 143,077 | 143,077 | ..... | ..... |
| Credits for property retired | 7,005,703 | 4,700,645 | 2,020,706 | 3,343 | 4,227,110 | 2,021,008 | 1,206,132 | ..... |
| Adjustments | 1,440,700 | 1,005,005 | 864,863 | 7,417 | 1,010,221 | 000,113 | 80,007 | 1,121 |
| Net charges during year | 20,140,344 | 17,000,000 | 2,740,110 | 252,410 | 9,633,700 | 6,455,370 | 3,143,701 | 36,025 |
| | Southern District. | | | | Western District. | | | |
| Expenditures for new lines and extensions | 615,010 | 000,452 | ..... | 55,250 | 025,020 | 020,045 | ..... | 00,207 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 2,005,003 | 2,210,270 | ..... | 00,007 | 12,077,045 | 10,253,200 | 1,013,700 | 0,002 |
| Made on leased lines | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| Credits for property retired | 120,000 | 120,000 | ..... | ..... | 2,220,270 | 1,020,201 | 1,704,072 | 2,043 |
| Adjustments | 201,000 | 000,021 | ..... | 504 | 1,100,250 | 000,051 | 011,700 | 0,000 |
| Net charges during year | 2,220,000 | 2,172,000 | ..... | 147,251 | 0,000,220 | 0,000,002 | 000,075 | 00,200 |

**In Statements Nos. 50 and 51, the total charges shown do not include the labor cost of applying the rails or ties.**

STATEMENT NO. 50.—SUMMARY OF RAILS LAID AND TAKEN UP IN CONNECTION WITH REPLACEMENT AND BETTERMENT WORK DURING THE YEAR ENDED DEC. 31, 1920—CLASS I CARRIERS.

| Item. | All Districts. | Eastern District. | Southern District. | Western District. |
|---|---|---|---|---|
| **Rails laid:** | | | | |
| New rails: | | | | |
| Number of tons (2,240 lbs.) | 1,411,000 | 500,301 | 220,225 | 000,022 |
| Total charges | 047,100,010 | 020,027,053 | 012,070,000 | 020,201,102 |
| Re-rolled rails: | | | | |
| Number of tons (2,240 lbs.) | 1,000,202 | 000,700 | 100,220 | 001,270 |
| Total charges | 020,442,017 | 011,007,202 | 04,071,100 | 013,203,000 |
| All rails: | | | | |
| Number of tons (2,240 lbs.) | 2,000,002 | 1,000,150 | 000,051 | 1,027,151 |
| Total charges | 000,000,002 | 000,015,715 | 004,001,050 | 020,004,105 |
| **Salvage:** | | | | |
| Relayers taken up: | | | | |
| Number of tons (2,240 lbs.) | 1,000,700 | 204,705 | 200,204 | 702,221 |
| Salvage value | 012,002,270 | 015,002,224 | 07,010,001 | 010,000,201 |
| Scrap rails taken up: | | | | |
| Number of tons (2,240 lbs.) | 504,000 | 277,000 | 73,047 | 104,220 |
| Salvage value | 010,020,202 | 05,010,024 | 01,477,000 | 02,102,550 |
| Other salvage | 1,107,102 | 702,700 | 000,077 | 2,027 |
| Total salvage | 054,005,741 | 022,101,100 | 00,200,702 | 027,704,023 |
| **Distribution of charges:** | | | | |
| Salvage on rails, etc | 054,005,741 | 022,101,100 | 00,200,702 | 022,704,023 |
| Amount charged to operating expenses | 000,002,022 | 011,225,007 | 01,737,705 | 011,720,000 |
| Amount charged to additions and betterments | 011,000,551 | 00,710,501 | 01,000,720 | 00,005,002 |
| Amount charged to rail reserve | 02,007,171 | 0073,055 | 01,000,705 | 002,071 |
| Total | 000,025,000 | 000,700,102 | 010,000,000 | 020,004,100 |

[1] Includes $1,205,573 for which distribution for respondent items was not furnished.

STATEMENT NO. 51.—TIES LAID IN PREVIOUSLY CONSTRUCTED TRACKS DURING THE YEAR ENDED DEC. 31, 1920—CLASS I CARRIERS.

| Item. | All Districts. | Eastern District. | Southern District. | Western District. |
|---|---|---|---|---|
| **Cross ties:** | | | | |
| New hardwood ties untreated: | | | | |
| Total number | 21,000,700 | 0,450,500 | 0,217,705 | 0,022,040 |
| Total charges | 027,150,200 | 00,040,570 | 012,250,025 | 00,270,100 |
| New softwood ties untreated: | | | | |
| Total number | 27,122,024 | 0,000,004 | 5,402,100 | 15,021,000 |
| Total charges | 020,011,173 | 00,335,730 | 00,707,072 | 010,707,473 |
| Treated ties: | | | | |
| Total number | 07,702,431 | 11 002,450 | 4,142,107 | 21,000,000 |
| Total charges | 051,001,417 | 017,700,534 | 05,543,021 | 027,757,002 |
| Secondhand wood ties: | | | | |
| Total number | 200,000 | 110,007 | 00,204 | 100,314 |
| Total charges | 0130,510 | 000,077 | 07,407 | 000,000 |
| Other than wood ties: | | | | |
| Total number | 154,270 | 00,471 | 50,102 | 0,055 |
| Total charges | 0200,002 | 0173,102 | 020,001 | 04,710 |
| All cross ties: | | | | |
| Total number | 00,020,207 | 04,730,730 | 10,043,304 | 43,255,157 |
| Total charges | 0100,570,000 | 035,107,000 | 024,520,017 | 040,050,053 |
| Bridge and switch ties: | | | | |
| Number of feet (board measure) | 000,100,070 | 00,130,305 | 01,000,300 | 00,000,100 |
| Total charges | 011,202,103 | 04,020,000 | 02,000,022 | 04,113,204 |
| **Distribution of charges:** | | | | |
| Salvage on ties | 0307,554 | 0242,007 | 00,000 | 0130,501 |
| Amount charged to operating expenses | 0114,701,000 | 037,540,330 | 024,402,044 | 052,750,000 |
| Amount charged to additions and betterments | 0003,307 | 0305,071 | 015,504 | 0302,132 |
| Amount charged to tie reserve | 04,000,031 | 01,030,007 | 02,000,020 | 0712,310 |
| Total | 0120,003,102 | 020,713,705 | 027,177,450 | 053,000,017 |

16 26 (a)

STATEMENT No. 13.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED BY CLASS I CARRIERS DURING THE YEAR ENDED DEC. 31, 1921.

| | All Districts. | | Eastern District. | | Southern District. | | Western District. | |
|---|---|---|---|---|---|---|---|---|
| | Installed. | Retired. | Installed. | Retired. | Installed. | Retired. | Installed. | Retired. |
| Locomotives: | | | | | | | | |
| Steam | 1,330 | 1,130 | 445 | 457 | 340 | 339 | 535 | 434 |
| Other | | | | | | | | |
| Total | 1,330 | 1,130 | 445 | 457 | 340 | 339 | 535 | 434 |
| Freight-train cars: | | | | | | | | |
| Box cars | 17,461 | 27,894 | 2,964 | 12,723 | 3,427 | 6,039 | 4,975 | 9,035 |
| Flat cars | 2,949 | 4,039 | 169 | 2,468 | 771 | 1,072 | 1,969 | 1,499 |
| Stock cars | 4,140 | 3,158 | 1,272 | 572 | 415 | 459 | 2,453 | 2,127 |
| Coal cars | 31,092 | 26,879 | 12,076 | 21,049 | 8,959 | 4,970 | 10,992 | 1,760 |
| Tank cars | 221 | 490 | 21 | 7 | | | 200 | 475 |
| Refrigerator cars | 5,348 | 2,127 | 1,724 | 1,094 | 1,091 | 296 | 3,219 | 737 |
| Caboose cars | 1,072 | 945 | 372 | 354 | 208 | 73 | 491 | 158 |
| Other freight-train cars | 1,162 | 1,164 | 111 | 202 | 5 | 250 | 1,046 | 682 |
| Total | 63,491 | 69,245 | 24,979 | 39,479 | 13,861 | 14,219 | 25,445 | 15,547 |
| Passenger-train cars: | | | | | | | | |
| Coaches | 668 | 449 | 220 | 205 | 125 | 79 | 315 | 122 |
| Combination passenger cars | 77 | 145 | 30 | 43 | 13 | 15 | 35 | 87 |
| Other combination cars | 37 | 51 | 4 | 18 | 10 | 5 | 23 | 28 |
| Emigrant cars | 33 | 1 | 33 | 1 | | | | |
| Dining cars | 51 | 94 | | 2 | 10 | 1 | 41 | 21 |
| Parlor cars | 15 | 19 | 5 | 3 | 9 | 1 | 1 | 5 |
| Sleeping cars | 10 | 3 | | | 4 | | 6 | 3 |
| Baggage and express cars | 678 | 178 | 128 | 60 | 243 | 67 | 307 | 51 |
| Other | 12 | 22 | | 5 | 9 | 3 | 3 | 14 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| [illegible] cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Caboose cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Other freight train cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Passenger train cars** | | | | | | | | |
| Coaches | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Combination passenger cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Other combination cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Emigrant cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dining cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Parlor cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sleeping cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Baggage and express cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Postal cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Other passenger train cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Company service cars** | | | | | | | | |
| Officers' and pay cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ballast cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Derrick cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Steam shovels | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Wrecking cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Other company service cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| All classes of cars in service | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| **Floating equipment** | | | | | | | | |
| Steamboats and tugboats | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Barges, car floats, and canal boats | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Other floating equipment | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

STATEMENT NO. 14.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED FROM SERVICE DURING THE YEAR, CLASS I CARRIERS—YEARS 1907 TO 1921, INCLUSIVE.

| Year ended— | Locomotives | | Passenger train cars | | Freight train cars | | Company service cars | |
|---|---|---|---|---|---|---|---|---|
| | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year |
| June 30, 1907 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1908 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1909 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1910 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1911 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1912 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1913 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1914 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1915 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1916 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec. 31, 1917 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1918 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1919 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1920 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1921 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

16 h (5)

STATEMENT NO. 67.—SUMMARY OF NET CHANGES TO INVESTMENTS IN ROAD AND EQUIPMENT, YEAR ENDED DEC. 31, 1921.

| Name of account | Class I carriers and their nonoperating subsidiaries. | | | | Class I carriers. | | | | Nonoperating companies subsidiary to Class I carriers. | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All districts. | Eastern District. | Southern District. | Western District. | All districts. | Eastern District. | Southern District. | Western District. | All districts. | Eastern District. | Southern District. | Western District. |
| (1) Engineering | $2,439,497 | $1,592,085 | $313,403 | $533,907 | $1,701,401 | $1,137,195 | $465,165 | $519,591 | $738,095 | $454,912 | $295,788 | $87,894 |
| (2) Land for transportation purposes | 6,125,559 | 3,708,021 | 713,587 | 2,711,951 | 2,699,408 | 1,177,158 | 649,207 | 2,497,765 | 4,054,082 | 2,530,170 | 94,799 | 214,913 |
| (3) Grading | 19,612,348 | 6,648,185 | 4,723,444 | 7,654,395 | 13,444,791 | 6,213,744 | 4,441,663 | 7,193,342 | 3,142,894 | 2,666,321 | 342,219 | 675,054 |
| (4) Underground power tubes | 97 | 97 | | | 97 | 97 | | | | | | |
| (5) Tunnels and subways | 1,474,895 | 7,530 | 978,110 | 989,355 | 1,052,925 | 7,730 | 978,110 | 195,617 | 414,029 | 10,729 | | 403,299 |
| (6) Bridges, trestles, and culverts | 19,924,213 | 7,609,106 | 5,145,942 | 7,071,165 | 14,411,143 | 5,143,438 | 2,656,929 | 6,570,611 | 5,617,110 | 2,434,369 | 2,432,084 | 480,734 |
| (7) Elevated structures | 99,238 | 99,206 | 7 | 5,947 | 1,989 | 5,947 | 7 | 5,947 | 94,257 | 94,257 | | |
| (8) Ties | 6,754,913 | 2,349,265 | 1,378,980 | 2,291,639 | 4,994,205 | 1,677,540 | 1,368,129 | 2,651,497 | 760,707 | 425,995 | 104,908 | 230,141 |
| (9) Rails | 14,729,233 | 5,541,427 | 3,253,156 | 4,934,750 | 12,091,054 | 5,164,530 | 2,100,508 | 4,825,612 | 2,638,179 | 1,376,798 | 152,358 | 1,109,126 |
| (10) Other track material | 20,899,254 | 8,418,994 | 4,980,168 | 7,499,110 | 17,293,851 | 6,954,713 | 4,311,612 | 6,112,705 | 3,605,403 | 1,540,295 | 649,534 | 1,387,394 |
| (11) Ballast | 6,115,167 | 1,290,941 | 1,297,335 | 3,484,990 | 5,995,787 | 991,950 | 1,129,050 | 3,977,574 | 1,109,480 | 349,774 | 78,275 | 679,381 |
| (12) Track laying and surfacing | 4,941,477 | 2,199,053 | 855,791 | 1,787,021 | 3,144,098 | 1,052,121 | 737,453 | 1,404,044 | 1,664,439 | 1,147,944 | 187,314 | 383,577 |
| (13) Right-of-way fences | 521,294 | 88,225 | 60,213 | 372,767 | 492,118 | 73,923 | 60,277 | 347,718 | 41,166 | 6,502 | 5,935 | 28,729 |
| (14) Snow and sand fences and snowsheds | 33,434 | 9,709 | 18 | 23,676 | 33,422 | 9,611 | 18 | 23,793 | 5,712 | 129 | | 5,583 |
| (15) Crossings and signs | 5,649,849 | 3,233,653 | 856,935 | 1,499,730 | 4,556,690 | 2,319,439 | 699,415 | 1,719,614 | 1,153,659 | 915,423 | 58,519 | 179,116 |
| (16) Station and office buildings | 12,133,353 | 5,972,347 | 1,614,498 | 4,746,510 | 10,255,392 | 4,570,942 | 1,315,160 | 4,369,570 | 1,991,366 | 1,401,405 | 99,337 | 390,624 |
| (17) Roadway buildings | 1,503,518 | 94,742 | 604,502 | 807,193 | 1,090,974 | 94,053 | 600,432 | 794,479 | 127,542 | 10,679 | 4,100 | 112,763 |
| (18) Water stations | 3,209,040 | 868,040 | 787,566 | 1,713,734 | 2,922,540 | 606,252 | 740,905 | 1,447,381 | 474,600 | 261,788 | 6,650 | 206,353 |
| (19) Fuel stations | 2,000,541 | 1,227,108 | 197,040 | 1,274,043 | 2,103,657 | 673,753 | 221,610 | 1,207,643 | 519,414 | 553,416 | 81,990 | 15,009 |
| (20) Shops and engine houses | 16,439,917 | 9,376,015 | 2,057,252 | 4,980,547 | 8,540,941 | 2,910,148 | 2,478,690 | 3,990,504 | 8,065,978 | 7,172,170 | 140,783 | 682,043 |
| (21) Grain elevators | 612,973 | 434,543 | 1,425 | 197,555 | 555,231 | 353,708 | 4,090 | 197,556 | 57,642 | 63,136 | 6,194 | |
| (22) Storage warehouses | 947,177 | 6,697 | 63,672 | 1,064,602 | 950,990 | 6,805 | 60,816 | 1,086,482 | 9,917 | 178 | 9,720 | |
| (23) Wharves and docks | 917,887 | 1,110,555 | 122,927 | 79,671 | 874,387 | 864,791 | 130,088 | 179,508 | 543,470 | 344,434 | 2,728 | 206,438 |
| (24) Coal and ore wharves | 2,025,604 | 604,230 | 230,653 | 1,031,315 | 2,005,545 | 603,552 | 210,907 | 2,035,126 | 69,167 | 18,022 | 12,999 | 78,811 |
| (25) Gas producing plants | 30,545 | 29,053 | 540 | 1,053 | 30,573 | 29,014 | 22 | 1,537 | 12 | 6 | 518 | 356 |
| (26) | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (11) Track laying and surfacing | | | | | | | | | | | | |
| (12) Right-of-way fences | | | | | | | | | | | | |
| (13) Snow and sand fences and snowsheds | | | | | | | | | | | | |
| (14) Crossings and signs | | | | | | | | | | | | |
| (15) Stations and other buildings | | | | | | | | | | | | |
| (17) Roadway buildings | | | | | | | | | | | | |
| (18) Water stations | | | | | | | | | | | | |
| (19) Fuel stations | | | | | | | | | | | | |
| (20) Shops and engine houses | | | | | | | | | | | | |
| (21) Grain elevators | | | | | | | | | | | | |
| (22) Storage warehouses | | | | | | | | | | | | |
| (23) Wharves and docks | | | | | | | | | | | | |
| (24) Coal and ore wharves | | | | | | | | | | | | |
| (25) Gas producing plants | | | | | | | | | | | | |
| (26) Telegraph and telephone lines | | | | | | | | | | | | |
| (27) Signals and interlockers | | | | | | | | | | | | |
| (29) Power dams, canals, and pipe lines | | | | | | | | | | | | |
| (30) Power plant buildings | | | | | | | | | | | | |
| (31) Power substation buildings | | | | | | | | | | | | |
| (32) Power transmission systems | | | | | | | | | | | | |
| (33) Power distribution systems | | | | | | | | | | | | |
| (35) Power line poles and fixtures | | | | | | | | | | | | |
| (36) Underground conduits | | | | | | | | | | | | |
| (37) Miscellaneous structures | | | | | | | | | | | | |
| (39) Paving | | | | | | | | | | | | |
| (37) Roadway machines | | | | | | | | | | | | |
| (39) Roadway small tools | | | | | | | | | | | | |
| (39) Assessments for public improvements | | | | | | | | | | | | |
| (40) Revenues and operating expenses during construction | | | | | | | | | | | | |
| (41) Cost of road purchased | | | | | | | | | | | | |
| (42) Reconstruction of road purchased | | | | | | | | | | | | |
| (43) Other expenditures—road | | | | | | | | | | | | |
| (44) Shop machinery | | | | | | | | | | | | |
| (45) Power plant machinery | | | | | | | | | | | | |
| (46) Power substation apparatus | | | | | | | | | | | | |
| (47) Unapplied construction material and supplies | | | | | | | | | | | | |
| Total expenditures for road | | | | | | | | | | | | |
| (51) Steam locomotives | | | | | | | | | | | | |
| (52) Other locomotives | | | | | | | | | | | | |
| (53) Freight train cars | | | | | | | | | | | | |
| (54) Passenger train cars | | | | | | | | | | | | |
| (55) Motor equipment of cars | | | | | | | | | | | | |
| (56) Floating equipment | | | | | | | | | | | | |
| (57) Work equipment | | | | | | | | | | | | |
| (58) Miscellaneous equipment | | | | | | | | | | | | |
| Total expenditures for equipment | | | | | | | | | | | | |
| (71) Organization expenses | | | | | | | | | | | | |
| (72) General officers and clerks | | | | | | | | | | | | |
| (73) Law | | | | | | | | | | | | |
| (74) Stationery and printing | | | | | | | | | | | | |
| (76) Taxes | | | | | | | | | | | | |
| (78) Interest during construction | | | | | | | | | | | | |
| (77) Other expenditures—General | | | | | | | | | | | | |
| Total general expenditures | | | | | | | | | | | | |
| Grand total | | | | | | | | | | | | |

[1] Includes $5,000,422 undistributed.

[2] Includes $1,720,702 undistributed.

[3] Includes $2,500 undistributed.

[4] Includes $9,557,932 undistributed.



16 h(6)

In Statement No. 48, the charges and credits to investment account are separated. It is the charges without the credits that indicate the amount of money required for the year's additions.

STATEMENT No. 48. SUMMARY OF CHARGES AND CREDITS TO INVESTMENT IN ROAD AND EQUIPMENT, BY GENERAL ACCOUNTS, YEAR ENDED DEC. 31, 1921.

| Item. | Grand total. | I. Road. | II. Equipment. | III. General expenditures. | Grand total. | I. Road. | II. Equipment. | III. General expenditures. |
|---|---|---|---|---|---|---|---|---|
| | Class I carriers and their nonoperating subsidiaries. | | | | | | | |
| | 63 Districts. | | | | Eastern District. | | | |
| Expenditures for new lines and extensions | $19,864,634 | $16,471,709 | $7,900 | $400,027 | $362,704 | $353,448 | ..... | $9,256 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 519,996,108 | 200,122,277 | 236,980,494 | 2,063,348 | 228,168,553 | 61,227,709 | 164,762,257 | 2,056,040 |
| Made on leased lines | 16,154,342 | 14,054,261 | 2,075,247 | 314,834 | 13,022,480 | 10,992,474 | 2,635,479 | 293,107 |
| Credits for property retired | 780,999,848 | 30,027,830 | 68,888,974 | 180,046 | 44,787,600 | 13,906,884 | 30,711,096 | 169,620 |
| Adjustments | 14,080,251 | 8,709,979 | 5,185,251 | 288,948 | 8,896,080 | 6,453,780 | 2,305,899 | 758,700 |
| Net charges during year | 642,043,130 | 188,620,518 | 251,480,483 | 3,763,388 | 188,910,530 | 72,343,028 | 111,921,772 | 2,030,755 |
| | Southern District. | | | | Western District. | | | |
| Expenditures for new lines and extensions | 10,636,757 | 10,622,551 | 15 | 194,188 | 7,300,373 | 7,290,971 | 7,981 | 301,421 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 97,720,034 | 35,540,998 | 61,630,736 | 317,300 | 190,101,320 | 53,344,635 | 112,340,388 | 307,488 |
| Made on leased lines | 1,090,979 | 1,719,635 | 293,998 | 13,777 | 2,300,676 | 2,277,772 | 14,988 | ..... |
| Credits for property retired | 80,170,588 | 7,440,160 | 18,000,000 | 4,170 | 56,440,681 | 10,300,207 | 19,818,949 | 4,512 |
| Adjustments | 1,000,681 | 697,180 | 800,000 | 77,000 | 4,000,000 | 2,000,007 | 1,180,001 | 307,200 |
| Net charges during year | 30,737,100 | 33,000,711 | 44,472,324 | 446,109 | 100,373,007 | 74,033,004 | 91,425,342 | 310,201 |

| | Southern District. | | | | Western District. | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Class I Carriers.

| | All Districts. | | | | Eastern District. | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Southern District. | | | | Western District. | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Nonoperating companies subsidiary to Class I Carriers.

| | All Districts. | | | | Eastern District. | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Southern District. | | | | Western District. | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

16 A (7)

STATEMENT NO. 50.—SUMMARY OF RAILS LAID IN CONNECTION WITH REPLACEMENT AND BETTERMENT WORK DURING THE YEAR ENDED DEC. 31, 1921—CLASS I CARRIERS.

| Item | All Districts | Eastern District | Southern District | Western District |
|---|---|---|---|---|
| Rails laid: | | | | |
| New rail: | | | | |
| Number of tons (2,000 lbs.) | 1,864,194 | 647,653 | 642,897 | 573,644 |
| Total charges | $71,357,737 | $30,222,097 | $16,742,547 | $24,093,093 |
| Second hand rail: | | | | |
| Number of tons (2,000 lbs.) | 1,128,119 | 392,497 | 363,946 | 371,676 |
| Total charges | $43,905,280 | $16,540,904 | $8,391,321 | $19,369,055 |
| All rail: | | | | |
| Number of tons (2,000 lbs.) | 2,992,313 | 1,040,150 | 1,006,843 | 945,320 |
| Total charges | $115,263,017 | $46,763,001 | $25,133,868 | $43,366,148 |

STATEMENT NO. 51.—TIES LAID IN PREVIOUSLY CONSTRUCTED TRACKS DURING THE YEAR ENDED DEC. 31, 1921—CLASS I CARRIERS.

| Item | All Districts | Eastern District | Southern District | Western District |
|---|---|---|---|---|
| Cross ties: | | | | |
| New hardwood ties untreated: | | | | |
| Total number | 26,145,295 | 9,234,129 | 11,414,790 | 5,476,376 |
| Total charges | $39,211,942 | $13,851,193 | $17,122,185 | $8,238,564 |
| New softwood ties untreated: | | | | |
| Total number | 23,093,367 | 5,943,730 | 4,942,298 | 12,209,344 |
| Total charges | $29,366,581 | $10,611,615 | $5,295,131 | $13,459,835 |
| Treated ties: | | | | |
| Total number | 36,671,909 | 11,225,011 | 4,992,394 | 20,454,494 |
| Total charges | $59,029,092 | $23,701,932 | $6,749,660 | $28,577,491 |
| Secondhand wood ties: | | | | |
| Total number | 674,714 | 193,297 | 90,968 | 490,449 |
| Total charges | $356,009 | $187,455 | $81,272 | $263,342 |
| Other than wood ties: | | | | |
| Total number | 346,144 | 272,142 | 74,366 | 109,440 |
| Total charges | $496,092 | $374,986 | $119,947 | $291,039 |
| All cross ties: | | | | |
| Total number | 86,521,556 | 26,968,229 | 19,993,234 | 28,680,993 |
| Total charges | $128,321,326 | $51,292,781 | $25,044,255 | $49,334,267 |
| Bridge and switch ties: | | | | |
| Number of feet (board measure) | 236,287,730 | [1]92,726,491 | 51,197,353 | 192,353,913 |
| Total charges | $13,992,262 | $5,344,498 | $2,940,895 | $5,658,289 |

[1] Does not include data for 58,921 linear feet of steel ties.

STATEMENT NO. 14.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED BY CLASS I CARRIERS DURING THE YEAR ENDED DEC. 31, 1922.

| Class of equipment | All Districts. | | Eastern District. | | Southern District. | | Western District. | |
|---|---|---|---|---|---|---|---|---|
| | Installed. | Retired. | Installed. | Retired. | Installed. | Retired. | Installed. | Retired. |
| **Locomotives:** | | | | | | | | |
| Steam | 1,218 | 1,402 | 809 | 784 | 279 | 397 | 430 | 501 |
| Other | 8 | | [illegible] | | 3 | | | |
| Total | 1,226 | 1,402 | [illegible] | 784 | 282 | 397 | 430 | 501 |
| **Freight-train cars:** | | | | | | | | |
| Box cars | 63,953 | 61,170 | 12,743 | 25,101 | 12,630 | 20,226 | 18,580 | 17,650 |
| Flat cars | 2,573 | 6,209 | 131 | 1,763 | 1,165 | 3,272 | 1,057 | 2,304 |
| Stock cars | 1,709 | 3,006 | 372 | 648 | 230 | 529 | 998 | 2,001 |
| Coal cars | 65,716 | 41,407 | 28,683 | 18,926 | 14,486 | 14,622 | 11,017 | 3,908 |
| Tank cars | 32 | 163 | | 0 | | | 32 | 174 |
| Refrigerator cars | 6,365 | 5,771 | 1,743 | 4,967 | 1,021 | 315 | 3,600 | 1,499 |
| Cabooses | 703 | 671 | 421 | 316 | 136 | 149 | 134 | 206 |
| Other freight-train cars | 1,574 | 4,844 | 917 | 904 | 370 | 194 | 287 | 3,646 |
| Total | 165,364 | 129,471 | 38,840 | 54,369 | 30,139 | 40,308 | 35,434 | 31,373 |
| **Passenger-train cars:** | | | | | | | | |
| Coaches | 565 | 568 | 325 | 349 | 68 | 62 | 192 | 160 |
| Combination passenger cars | 83 | 122 | 41 | 63 | 10 | 18 | 32 | 41 |
| Other combination cars | 219 | 60 | 39 | 49 | 8 | 10 | 182 | 22 |
| Emigrant cars | | 11 | | 11 | | | | |
| Dining cars | 77 | 29 | 32 | 2 | 10 | 6 | 35 | 21 |
| Parlor cars | 24 | 20 | 6 | 7 | 1 | 2 | 17 | 10 |
| Sleeping cars | | 23 | | | | 1 | | 22 |
| Baggage and express cars | 392 | 373 | 61 | 77 | 117 | 87 | 304 | 209 |
| Postal cars | 31 | 25 | 9 | 6 | | 2 | 22 | 16 |
| Other passenger-train cars | 47 | 26 | 27 | 14 | — | 7 | 20 | 7 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Passenger train cars: | | | | | | | | |
| Coaches | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Combination passenger cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Other combination cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Baggage cars | | [illegible] | | [illegible] | | | | |
| Dining cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Parlor cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sleeping cars | | [illegible] | | | | | | |
| Baggage and express cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Postal cars | [illegible] | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] |
| Other passenger train cars | [illegible] | [illegible] | [illegible] | [illegible] | — | [illegible] | [illegible] | [illegible] |
| Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Company service cars: | | | | | | | | |
| Officers' and pay cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Ballast cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Derrick cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Pile drivers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Wrecking cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Other company service cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| All classes of cars in service | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Floating equipment: | | | | | | | | |
| Steamboats and tugboats | [illegible] | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] |
| Barges, car floats, and canal boats | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Other floating equipment | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

STATEMENT NO. 15.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED FROM SERVICE, CLASS I CARRIERS—YEARS 1907 TO 1922.

| Year ended— | Locomotives. | | Passenger train cars. | | Freight train cars. | | Company service cars. | |
|---|---|---|---|---|---|---|---|---|
| | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year |
| June 30, 1907 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1908 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1909 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1910 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1911 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1912 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1913 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1914 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1915 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1916 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec. 31, 1917 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1918 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1919 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1920 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1921 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 1922 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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STATEMENT No. 47.—SUMMARY OF NET CHARGES TO INVESTMENTS IN ROAD AND EQUIPMENT, YEAR ENDED DEC. 31, 1922.

| Name of account. | Class I carriers and their nonoperating subsidiaries. | | | | Class I carriers. | | | | Nonoperating companies subsidiary to Class I carriers. | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All Districts. | Eastern District. | Southern District. | Western District. | All Districts. | Eastern District. | Southern District. | Western District. | All Districts. | Eastern District. | Southern District. | Western District. |
| (1) Engineering | $3,654,749 | $1,367,146 | $1,211,312 | $1,085,991 | $2,971,713 | $915,940 | $966,749 | $1,087,396 | $683,036 | $451,207 | $222,563 | $29,315 |
| (2) Land for transportation purposes | 17,270,212 | 11,938,386 | 1,409,680 | 3,920,205 | 8,794,668 | 3,302,940 | 1,490,040 | 3,980,688 | 8,004,747 | 8,355,628 | 207,913 | 521,209 |
| (3) Grading | 23,909,394 | 9,170,705 | 5,908,649 | 10,720,650 | 17,208,209 | 6,165,920 | 3,491,941 | 9,761,276 | 6,609,336 | 6,027,777 | 1,421,079 | 959,380 |
| (4) Underground power tubes | 34,420 | | | 34,420 | 34,420 | | | 34,420 | | | | |
| (5) Tunnels and subways | 1,199,737 | 18,314 | 708,995 | 474,447 | 687,045 | 1,457 | 312,961 | 362,127 | 706,692 | 19,771 | 393,963 | 92,958 |
| (6) Bridges, trestles, and culverts | 20,609,889 | 5,557,837 | 5,095,569 | 9,945,303 | 15,080,833 | 4,220,361 | 2,773,127 | 8,087,344 | 6,609,976 | 1,320,576 | 2,322,441 | 758,959 |
| (7) Elevated structures | 522,649 | 220,666 | 2,774 | 199,008 | 183,977 | 14,649 | 2,774 | 166,763 | 338,671 | 333,649 | | 3,255 |
| (8) Ties | 5,867,737 | 1,734,330 | 1,137,681 | 2,995,637 | 4,708,082 | 1,277,788 | 847,645 | 2,782,950 | 1,179,925 | 456,541 | 290,065 | 431,479 |
| (9) Rails | 15,978,090 | 5,586,580 | 3,730,726 | 6,660,784 | 12,698,391 | 3,787,067 | 3,361,551 | 5,339,877 | 3,343,958 | 1,722,730 | 669,726 | 1,240,499 |
| (10) Other track material | 10,273,716 | 4,751,179 | 4,422,720 | 9,102,317 | 15,731,703 | 5,028,649 | 3,961,499 | 6,741,618 | 3,543,958 | 1,722,730 | 669,726 | 1,240,499 |
| (11) Ballast | 6,726,233 | 1,513,420 | 1,373,983 | 3,837,047 | 5,558,672 | 1,302,304 | 1,120,005 | 3,130,363 | 1,165,061 | 211,119 | 247,888 | 706,054 |
| (12) Track laying and surfacing | 6,374,721 | 2,344,726 | 1,308,309 | 2,721,614 | 6,791,958 | 1,897,372 | 1,057,814 | 3,836,772 | 1,582,763 | 747,308 | 360,555 | 694,902 |
| (13) Right-of-way fences | 804,089 | 80,737 | 195,540 | 317,080 | 663,930 | 89,414 | 184,319 | 389,189 | 37,979 | 9,817 | 11,221 | 16,931 |
| (14) Snow and sand fences and snowsheds | 20,049 | 11,053 | 1,643 | 8,352 | 12,499 | 8,500 | 1,953 | 49,047 | 32,067 | 2,074 | | 69,613 |
| (15) Crossings and signs | 6,750,472 | 2,004,232 | 671,003 | 2,303,777 | 6,921,081 | 2,342,598 | 395,190 | 2,063,333 | 1,939,391 | 1,551,656 | 78,283 | 309,444 |
| (16) Station and other buildings | 13,311,397 | 3,431,230 | 2,105,103 | 7,774,969 | 10,935,295 | 1,580,219 | 1,041,295 | 7,354,733 | 2,475,151 | 1,632,019 | 223,908 | 420,251 |
| (17) Roadway buildings | 1,217,252 | 270,615 | 229,239 | 717,399 | 1,029,424 | 245,972 | 201,719 | 580,733 | 198,528 | 24,092 | 27,510 | 137,253 |
| (18) Water stations | 3,957,999 | 1,004,371 | 682,361 | 2,291,984 | 3,008,735 | 809,041 | 549,055 | 2,152,629 | 908,143 | 635,231 | 134,530 | 128,423 |
| (19) Fuel stations | 2,503,488 | 587,720 | 450,237 | 1,415,023 | 2,419,332 | 523,967 | 347,825 | 1,339,540 | 152,709 | 74,111 | 2,412 | 76,183 |
| (20) Shops and roundhouses | 8,319,360 | 2,660,928 | 970,738 | 4,681,974 | 6,547,357 | 1,423,484 | 716,702 | 4,399,171 | 2,781,143 | 2,237,194 | 362,656 | 281,293 |
| (21) Grain elevators | 923,288 | 619,987 | 1,946 | 301,357 | 655,085 | 332,253 | 19,699 | 303,082 | 318,203 | 286,474 | 30,674 | 656 |
| (22) Storage warehouses | 166,411 | 106,809 | 5,253 | 103,985 | 141,994 | 121,471 | 5,227 | 14,715 | 25,719 | 1,451 | | 93,930 |
| (23) Wharves and docks | 711,558 | 47,148 | 231,644 | 37,930 | 698,177 | 618,571 | 231,684 | 108,711 | 867,735 | 581,426 | | 73,691 |
| (24) Coal and ore wharves | 653,308 | 418,947 | 253,303 | 611,647 | 770,618 | 54,971 | 193,167 | 611,647 | 816,813 | 877,451 | 60,736 | |
| (25) Gas producing plants | 18,071 | 840 | 1,364 | 17,607 | 17,325 | 1,586 | 1,364 | 17,607 | 746 | 746 | | |
| (26) Telegraph and telephone lines | 1,087,576 | 708,920 | 152,129 | 1,025,539 | 1,421,065 | 527,495 | 130,115 | 753,455 | 699,513 | 172,425 | 22,014 | 272,074 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (30) Snow and sand fences and snowsheds | 20,000 | 11,000 | 1,000 | 6,000 | 80,000 | 6,000 | 3,000 | 45,000 | 12,000 | 2,000 | ..... | 60,000 |
| (32) Crossings and signs | 6,700,000 | 3,000,000 | 600,000 | 2,000,000 | 6,000,000 | 2,000,000 | 800,000 | 3,000,000 | 1,500,000 | 1,500,000 | 70,000 | 200,000 |
| (33) Station and other buildings | 13,000,000 | 5,000,000 | 2,000,000 | 7,000,000 | 16,000,000 | 1,000,000 | 1,000,000 | 7,000,000 | 2,000,000 | 1,000,000 | 200,000 | 600,000 |
| (7) Roadway buildings | 1,200,000 | 500,000 | 200,000 | 700,000 | 1,600,000 | 200,000 | 300,000 | 600,000 | 100,000 | 20,000 | 20,000 | 100,000 |
| (35) Water stations | 2,000,000 | 1,000,000 | 400,000 | 2,000,000 | 3,000,000 | 600,000 | 500,000 | 2,000,000 | 500,000 | 400,000 | 30,000 | 100,000 |
| (36) Fuel stations | 2,000,000 | 800,000 | 300,000 | 1,000,000 | 2,000,000 | 400,000 | 300,000 | 1,000,000 | 300,000 | 200,000 | 10,000 | 50,000 |
| (39) Shops and engine-houses | 6,000,000 | 2,000,000 | 800,000 | 4,000,000 | 6,000,000 | 1,000,000 | 700,000 | 4,000,000 | 2,000,000 | 2,000,000 | 200,000 | 200,000 |
| (38) Grain elevators | 800,000 | 300,000 | 1,000 | 300,000 | 800,000 | 300,000 | 200,000 | 300,000 | 100,000 | 200,000 | 20,000 | 1,000 |
| (39) Storage warehouses | 400,000 | 200,000| 5,000 | 200,000 | 600,000 | 200,000 | 5,000 | 70,000 | 80,000 | 1,000 | ..... | 50,000 |
| (40) Wharves and docks | 200,000 | 60,000 | 200,000 | 50,000 | 600,000 | 200,000 | 200,000 | 200,000 | 100,000 | 200,000 | ..... | 70,000 |
| (34) Coal and ore wharves | 600,000 | 400,000 | 200,000 | 600,000 | 700,000 | 400,000 | 60,000 | 600,000 | 200,000 | 600,000 | 60,000 | ..... |
| (29) Ore-producing plants | 30,000 | 500 | 1,000 | 10,000 | 10,000 | 1,000 | 1,000 | 10,000 | 500 | 500 | ..... | ..... |
| (28) Telegraph and telephone lines | 1,000,000 | 300,000 | 100,000 | 1,000,000 | 1,000,000 | 500,000 | 100,000 | 700,000 | 400,000 | 100,000 | 20,000 | 200,000 |
| (27) Signals and interlockers | 4,000,000 | 1,000,000 | 500,000 | 2,000,000 | 4,000,000 | 600,000 | 400,000 | 2,000,000 | 700,000 | 500,000 | 90,000 | 400,000 |
| (25) Power dams, canals, and pipe lines | 10,000 | ..... | ..... | 10,000 | 10,000 | ..... | ..... | 10,000 | ..... | ..... | ..... | ..... |
| (26) Power plant buildings | 600,000 | 100,000 | 50,000 | 200,000 | 300,000 | 100,000 | 50,000 | 200,000 | 100,000 | 100,000 | 5,000 | 5,000 |
| (24) Power substation buildings | 30,000 | 10,000 | 1,000 | 2,000 | 30,000 | 10,000 | 1,000 | 2,000 | 500 | 500 | ..... | 500 |
| (23) Power transmission systems | 200,000 | 100,000 | 50,000 | 10,000 | 200,000 | 100,000 | 50,000 | 20,000 | 10,000 | 2,000 | 2,000 | 8,000 |
| (22) Power distribution systems | 700,000 | 300,000 | 100,000 | 100,000 | 500,000 | 200,000 | 100,000 | 100,000 | 50,000 | 10,000 | 10,000 | 10,000 |
| (21) Power line poles and fixtures | 300,000 | 100,000 | 30,000 | 60,000 | 200,000 | 100,000 | 50,000 | 50,000 | 20,000 | 5,000 | 5,000 | 20,000 |
| (20) Underground conduits | 20,000 | 20,000 | 500 | 2,000 | 20,000 | 20,000 | 500 | 2,000 | 500 | 500 | ..... | ..... |
| (18) Miscellaneous structures | 600,000 | 200,000 | 100,000 | 200,000 | 700,000 | 200,000 | 100,000 | 200,000 | 100,000 | 50,000 | 5,000 | 30,000 |
| (19) Fencing | 200,000 | 100,000 | 50,000 | 100,000 | 200,000 | 100,000 | 50,000 | 100,000 | 50,000 | 20,000 | 10,000 | 5,000 |
| (17) Roadway overhead | 1,000,000 | 500,000 | 200,000 | 500,000 | 1,000,000 | 500,000 | 200,000 | 500,000 | 200,000 | 100,000 | 20,000 | 100,000 |
| (15) Roadway small tools | 40,000 | 20,000 | 5,000 | 10,000 | 40,000 | 20,000 | 5,000 | 10,000 | 5,000 | 2,000 | 500 | 2,000 |
| (16) Assessments for public improvements | 1,000,000 | 400,000 | 200,000 | 1,000,000 | 1,000,000 | 600,000 | 400,000 | 1,000,000 | 300,000 | 200,000 | 40,000 | 200,000 |
| (40) Revenue and operating expenses during construction | 100,000 | 100,000 | 50,000 | 1,000 | 50,000 | 50,000 | 5,000 | 5,000 | 100,000 | 100,000 | 50,000 | 5,000 |
| (41) Cost of road purchased | 30,000,000 | 4,000,000 | 5,000 | 40,000,000 | 30,000,000 | 5,000,000 | 5,000 | 40,000,000 | 10,000,000 | ..... | ..... | 10,000 |
| (42) Reconstruction of road purchased | 400,000 | 200,000 | 1,000 | 400,000 | 400,000 | 200,000 | 1,000 | 400,000 | 200,000 | 100,000 | 5,000 | 100,000 |
| (43) Other expenditures—road | 50,000 | 200,000 | 50,000 | 10,000 | 50,000 | 100,000 | 50,000 | 10,000 | 20,000 | 50,000 | 5,000 | 50,000 |
| (44) Shop machinery | 6,000,000 | 2,000,000 | 1,000,000 | 2,000,000 | 6,000,000 | 2,000,000 | 800,000 | 2,000,000 | 1,000,000 | 800,000 | 50,000 | 200,000 |
| (45) Power plant machinery | 1,000,000 | 1,000,000 | 200,000 | 500,000 | 1,000,000 | 600,000 | 200,000 | 500,000 | 200,000 | 100,000 | 10,000 | 50,000 |
| (46) Power substation apparatus | 300,000 | 200,000 | 50,000 | 100,000 | 300,000 | 200,000 | 100,000 | 200,000 | 50,000 | 50,000 | 1,000 | 5,000 |
| (47) Unsupplied construction material and supplies | 300,000 | 200,000 | 50,000 | 50,000 | 300,000 | 200,000 | ..... | 60,000 | 10,000 | 50,000 | 50,000 | 10,000 |
| Total expenditures for road | 200,000,000 | 60,000,000 | 30,000,000 | 120,000,000 | 170,000,000 | 30,000,000 | 20,000,000 | 110,000,000 | 60,000,000 | 30,000,000 | 6,000,000 | 9,000,000 |
| (51) Steam locomotives | 30,000,000 | 8,000,000 | 6,000,000 | 10,000,000 | 20,000,000 | 10,000,000 | 6,000,000 | 9,000,000 | 900,000 | 1,000,000 | ..... | 300,000 |
| (52) Other locomotives | 2,000,000 | 2,000,000 | 400,000 | 100,000 | 2,000,000 | 1,000,000 | 400,000 | 100,000 | 50,000 | 50,000 | ..... | 1,000,000 |
| (53) Freight-train cars | 60,000,000 | 20,000,000 | 20,000,000 | 60,000,000 | 90,000,000 | 20,000,000 | 20,000,000 | 60,000,000 | 1,000,000 | 2,000,000 | ..... | 7,000 |
| (54) Passenger-train cars | 10,000,000 | 4,000,000 | 600,000 | 6,000,000 | 12,000,000 | 6,000,000 | 600,000 | 6,000,000 | 800,000 | 800,000 | ..... | 10,000 |
| (56) Motor equipment of cars | 100,000 | 50,000 | 40,000 | 10,000 | 100,000 | 50,000 | 40,000 | 10,000 | 5,000 | 1,000 | ..... | 10,000 |
| (55) Floating equipment | 2,000,000 | 2,000,000 | 800,000 | 1,000,000 | 2,000,000 | 1,000,000 | 800,000 | 1,000,000 | 500,000 | 1,000,000 | ..... | 80,000 |
| (57) Work equipment | 2,000,000 | 800,000 | 600,000 | 2,000,000 | 2,000,000 | 600,000 | 600,000 | 2,000,000 | 400,000 | 800,000 | ..... | 80,000 |
| (58) Miscellaneous equipment | 100,000 | 50,000 | 10,000 | 40,000 | 100,000 | 50,000 | 10,000 | 40,000 | 5,000 | 10,000 | ..... | 20,000 |
| Total expenditures for equipment | 100,000,000 | 40,000,000 | 20,000,000 | 80,000,000 | 140,000,000 | 40,000,000 | 20,000,000 | 80,000,000 | 3,000,000 | 2,000,000 | ..... | 1,000,000 |
| (71) Organization expenses | 800,000 | 50,000 | 700,000 | 6,000 | 800,000 | 50,000 | 700,000 | 6,000 | 500 | ..... | 500 | 500 |
| (72) General officers and clerks | 20,000 | 8,000 | 10,000 | 10,000 | 20,000 | 8,000 | 10,000 | 10,000 | 500 | ..... | 10,000 | 5,000 |
| (73) Law | 200,000 | 10,000 | 200,000 | 5,000 | 200,000 | 1,000 | 200,000 | 5,000 | 500 | 10,000 | 1,000 | 500 |
| (74) Stationery and printing | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 1,000 | 5,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| (75) Taxes | 100,000 | 100,000 | 50,000 | 50,000 | 100,000 | 100,000 | 50,000 | 100,000 | 50,000 | 50,000 | 5,000 | 5,000 |
| (76) Interest during construction | 1,000,000 | 1,000,000 | 400,000 | 50,000 | 1,000,000 | 200,000 | 200,000 | 50,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| (77) Other expenditures—General | 50,000 | 50,000 | 10,000 | 40,000 | 50,000 | 10,000 | 10,000 | 40,000 | 10,000 | 10,000 | 5,000 | 10,000 |
| Total general expenditures | 2,000,000 | 1,000,000 | 1,000,000 | 200,000 | 2,000,000 | 500,000 | 1,000,000 | 200,000 | 200,000 | 200,000 | 100,000 | 100,000 |
| Grand total | 300,000,000 | 100,000,000 | 60,000,000 | 200,000,000 | 310,000,000 | 70,000,000 | 40,000,000 | 190,000,000 | 60,000,000 | 30,000,000 | 6,000,000 | 10,000,000 |

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STATEMENT No. 48.—SUMMARY OF CHARGES AND CREDITS TO INVESTMENTS IN ROAD AND EQUIPMENT, BY GENERAL ACCOUNTS, YEAR ENDED DEC. 31, 1922.

| Item | Grand total | I. Road | II. Equipment | III. General expenditures | Grand total | I. Road | II. Equipment | III. General expenditures |
|---|---|---|---|---|---|---|---|---|
| | Class I carriers and their nonoperating subsidiaries. | | | | | | | |
| | All Districts. | | | | Eastern District. | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Southern District. | | | | Western District. | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Class I carriers. | | | | | | | |
| | All Districts. | | | | Eastern District. | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

**Class I carriers**

| | All Districts | | | | Eastern District | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Southern District | | | | Western District | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

**Nonoperating companies subsidiary to Class I carriers.**

| | All Districts | | | | Eastern District | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| | Southern District | | | | Western District | | | |
|---|---|---|---|---|---|---|---|---|
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

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STATEMENT No. 50.—SUMMARY OF RAILS LAID IN CONNECTION WITH REPLACEMENT AND BETTERMENT WORK—CLASS I CARRIERS.

| Item | All Districts | Eastern District | Southern District | Western District |
|---|---|---|---|---|
| *Year ended Dec. 31, 1917* | | | | |
| Rails laid | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,390,290 | 804,444 | 214,953 | 370,893 |
| Total charges | $61,849,448 | $25,749,896 | $13,922,274 | $22,176,278 |
| Second-hand rails— | | | | |
| Number of tons (2,240 lbs.) | 1,229,376 | 408,741 | 201,917 | 618,718 |
| Total charges | $32,082,968 | $13,467,896 | $5,333,911 | $13,281,161 |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | 2,619,666 | 1,213,185 | 416,870 | 989,611 |
| Total charges | $93,932,416 | $41,217,792 | $19,256,185 | $35,457,439 |
| *Year ended Dec. 31, 1917.* | | | | |
| Rails laid | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,464,194 | 867,653 | 392,697 | 473,842 |
| Total charges | $73,137,727 | $34,222,067 | $14,942,812 | $24,092,848 |
| Second-hand rails— | | | | |
| Number of tons (2,240 lbs.) | 1,126,119 | 392,097 | 165,966 | 568,056 |
| Total charges | $30,907,295 | $13,458,904 | $4,291,331 | $13,209,160 |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | 2,590,313 | 1,259,750 | 558,663 | 1,041,898 |
| Total charges | $104,045,022 | $47,680,971 | $19,234,143 | $37,302,008 |
| *Year ended Dec. 31, 1916.* | | | | |
| Rails laid | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,411,009 | 798,251 | 279,331 | 565,927 |

STATEMENT No. 51.—TIES LAID IN PREVIOUSLY CONSTRUCTED TRACK—CLASS I CARRIERS—Continued.

| Item | All Districts | Eastern District | Southern District | Western District |
|---|---|---|---|---|
| *Year ended Dec. 31, 1917.—Continued.* | | | | |
| Crossties—Continued. | | | | |
| Other than wood ties— | | | | |
| Total number | 554,230 | 12,184 | 10,927 | 531,139 |
| Total charges | $242,331 | $17,304 | $2,735 | $222,402 |
| All crossties— | | | | |
| Total number | 86,641,834 | 28,307,512 | 20,541,977 | 39,792,345 |
| Total charges | $111,309,617 | $46,238,747 | $20,344,726 | $44,426,094 |
| Bridge and switch ties— | | | | |
| Number of feet (board measure) | 298,186,478 | [1] 91,888,217 | 65,483,679 | 140,813,583 |
| Total charges | $10,425,482 | [1] $4,090,998 | $2,085,799 | $3,658,684 |
| *Year ended Dec. 31, 1901.* | | | | |
| Crossties | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 26,143,298 | 9,254,129 | 11,414,793 | 5,474,376 |
| Total charges | $36,344,892 | $16,096,423 | $13,929,939 | $6,318,530 |
| New softwood ties untreated— | | | | |
| Total number | 23,083,367 | 5,930,730 | 4,402,393 | 12,750,244 |
| Total charges | $29,556,651 | $10,611,615 | $5,295,131 | $13,649,905 |
| Treated ties— | | | | |
| Total number | 36,071,089 | 11,225,601 | 4,092,504 | 20,744,984 |
| Total charges | $46,026,082 | $23,781,932 | $6,345,809 | $25,919,491 |
| Second-hand wood ties— | | | | |
| Total number | 674,719 | 183,297 | 10,908 | 480,449 |
| Total charges | $695,009 | $237,856 | $3,572 | $293,582 |
| Other than wood ties— | | | | |
| Total number | 530,188 | 392,182 | 74,566 | 169,440 |

| | | | | |
|---|---|---|---|---|
| Rails laid | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | [illegible] | [illegible] | [illegible] | [illegible] |
| Total charges | [illegible] | [illegible] | [illegible] | [illegible] |
| Secondhand rails— | | | | |
| Number of tons (2,240 lbs.) | [illegible] | [illegible] | [illegible] | [illegible] |
| Total charges | [illegible] | [illegible] | [illegible] | [illegible] |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | [illegible] | [illegible] | [illegible] | [illegible] |
| Total charges | [illegible] | [illegible] | [illegible] | [illegible] |
| *Year ended Dec. 31, 1897* | | | | |
| Rails laid | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,011,000 | 398,000 | 276,000 | 937,000 |
| Total charges | $17,120,000 | $6,837,000 | $12,420,000 | $36,377,000 |
| Secondhand rails— | | | | |
| Number of tons (2,240 lbs.) | 1,000,000 | 433,000 | 100,000 | 603,000 |
| Total charges | $20,442,017 | $11,367,702 | $4,871,100 | $12,243,000 |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | 2,000,000 | 1,000,000 | 430,000 | 1,000,000 |
| Total charges | $37,562,017 | $18,205,702 | $17,291,100 | $48,620,000 |

STATEMENT NO. 51.—TIES LAID IN PREVIOUSLY CONSTRUCTED TRACKS—CLASS I CARRIERS.

| Item | All Districts | Eastern District | Southern District | Western District |
|---|---|---|---|---|
| *Year ended Dec. 31, 1901* | | | | |
| Crossties | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 20,007,000 | 7,139,000 | 11,430,000 | 7,439,000 |
| Total charges | $20,430,000 | $9,000,000 | $10,173,000 | $6,595,000 |
| New softwood ties untreated— | | | | |
| Total number | 19,174,183 | 4,700,177 | 4,247,000 | 10,224,000 |
| Total charges | $19,000,000 | $7,000,000 | $3,000,000 | $8,000,000 |
| Treated ties— | | | | |
| Total number | 60,000,000 | 14,000,000 | 6,000,000 | 31,447,000 |
| Total charges | $64,000,000 | $20,000,000 | $6,000,000 | $38,000,000 |
| Secondhand wood ties— | | | | |
| Total number | 245,000 | 80,000 | 19,000 | 150,000 |
| Total charges | $122,000 | $66,000 | $4,000 | $50,000 |
| New hardwood ties untreated— | | | | |
| Total number | 20,000,000 | 8,000,000 | 11,000,000 | 5,000,000 |
| Total charges | $20,000,000 | $10,000,000 | $13,000,000 | $6,000,000 |
| New softwood ties untreated— | | | | |
| Total number | 23,000,000 | 5,000,000 | 4,000,000 | 12,000,000 |
| Total charges | $29,000,000 | $10,000,000 | $5,000,000 | $13,000,000 |
| Treated ties— | | | | |
| Total number | 30,000,000 | 11,000,000 | 6,000,000 | 20,000,000 |
| Total charges | $30,000,000 | $20,000,000 | $6,000,000 | $20,000,000 |
| Secondhand wood ties— | | | | |
| Total number | 600,000 | 200,000 | 10,000 | 400,000 |
| Total charges | $600,000 | $200,000 | $3,000 | $400,000 |
| Other than wood ties— | | | | |
| Total number | 200,000 | 200,000 | 70,000 | 100,000 |
| Total charges | $300,000 | $300,000 | $100,000 | $200,000 |
| All crossties— | | | | |
| Total number | 80,000,000 | 30,000,000 | 20,000,000 | 30,000,000 |
| Total charges | $100,000,000 | $40,000,000 | $25,000,000 | $35,000,000 |
| Bridge and switch ties | | | | |
| Number of feet (board measure) | 250,000,000 | [1] 92,000,000 | 60,000,000 | 100,000,000 |
| Total charges | $13,000,000 | [1] $5,000,000 | $3,000,000 | $5,000,000 |
| *Year ended Dec. 31, 1900.* | | | | |
| Crossties | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 21,000,000 | 8,000,000 | 9,000,000 | 5,000,000 |
| Total charges | $27,000,000 | $9,000,000 | $12,000,000 | $6,000,000 |
| New softwood ties untreated— | | | | |
| Total number | 27,000,000 | 6,000,000 | 5,000,000 | 15,000,000 |
| Total charges | $30,000,000 | $6,000,000 | $6,000,000 | $18,000,000 |
| Treated ties— | | | | |
| Total number | 37,000,000 | 11,000,000 | 6,000,000 | 20,000,000 |
| Total charges | $41,000,000 | $17,000,000 | $5,000,000 | $27,000,000 |
| Secondhand wood ties— | | | | |
| Total number | 250,000 | 100,000 | 20,000 | 130,000 |
| Total charges | $120,000 | $60,000 | $7,000 | $50,000 |
| Other than wood ties— | | | | |
| Total number | 150,000 | 80,000 | 50,000 | 20,000 |
| Total charges | $200,000 | $100,000 | $80,000 | $20,000 |
| All crossties— | | | | |
| Total number | 85,000,000 | 25,000,000 | 20,000,000 | 40,000,000 |
| Total charges | $100,000,000 | $35,000,000 | $25,000,000 | $40,000,000 |
| Bridge and switch ties | | | | |
| Number of feet (board measure) | 300,000,000 | [2] 100,000,000 | 60,000,000 | 140,000,000 |
| Total charges | $15,000,000 | [2] $5,000,000 | $3,000,000 | $7,000,000 |

[1] Does not include data for 24,402 linear feet of steel ties.
[2] Does not include data for 16,921 linear feet of steel ties.

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# STATISTICS OF RAILWAYS IN THE UNITED STATES

STATEMENT No. 14.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED BY CLASS I STEAM RAILWAYS DURING THE YEAR ENDED DEC. 31, 1923

| | All districts | | Eastern District | | Southern District | | Western District | |
|---|---|---|---|---|---|---|---|---|
| | Installed | Retired | Installed | Retired | Installed | Retired | Installed | Retired |
| Locomotives: | | | | | | | | |
| Steam | 4,288 | 3,748 | 2,080 | 2,013 | 697 | 481 | 1,570 | 1,270 |
| Other | 10 | | 9 | | | | 1 | |
| Total | 4,298 | 3,748 | 2,089 | 2,013 | 697 | 481 | 1,570 | 1,270 |
| Freight train cars: | | | | | | | | |
| Box cars | 105,306 | 91,945 | 36,797 | 36,941 | 31,256 | 18,804 | 43,136 | 36,200 |
| Flat cars | 6,659 | 7,529 | 1,671 | 1,699 | 1,997 | 3,073 | 2,703 | 2,757 |
| Stock cars | 6,894 | 5,698 | 2,913 | 1,786 | 615 | 1,273 | 3,430 | 2,176 |
| Coal cars | 97,604 | 88,554 | 39,986 | 40,653 | 36,063 | 23,843 | 22,073 | 13,979 |
| Tank cars | 633 | 46 | | 15 | | | 633 | 31 |
| Refrigerator cars | 9,176 | 73,052 | 3,416 | 13,147 | 83 | 1,899 | 5,659 | 9,156 |
| Caboose cars | 1,988 | 933 | 840 | 497 | 617 | 300 | 531 | 367 |
| Other freight-train cars | 6,787 | 7,314 | 1,311 | 1,381 | 688 | 684 | 4,988 | 5,249 |
| Total | 232,000 | 213,789 | 77,078 | 80,125 | 71,271 | 50,485 | 83,711 | 64,786 |
| Passenger train cars: | | | | | | | | |
| Coaches | 1,144 | 1,132 | 736 | 716 | 102 | 174 | 306 | 242 |
| Combination passenger cars | 198 | 170 | 125 | 90 | 39 | 35 | 38 | 45 |
| Other combination cars | 141 | 191 | 47 | 83 | 17 | 39 | 87 | 77 |
| Baggage cars | | 16 | | 16 | | | | |
| Dining cars | 100 | 76 | 27 | 55 | 33 | 4 | 41 | 27 |
| Parlor cars | 12 | 31 | 7 | 8 | 5 | 6 | | 17 |
| Sleeping cars | | 44 | | | | 3 | | 41 |
| Baggage and express cars | 733 | 420 | 210 | 142 | 300 | 151 | 223 | 126 |
| Postal cars | 47 | 62 | 34 | 27 | 20 | 7 | 1 | 35 |
| Other passenger-train cars | 301 | 308 | 66 | 174 | 3 | 3 | 232 | 32 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Passenger train cars: | | | | | | | | |
| Coaches | 1,144 | 1,132 | 730 | 734 | 102 | 124 | 304 | 302 |
| Combination passenger cars | 180 | 170 | 120 | 90 | 83 | 30 | 30 | 40 |
| Other combination cars | 144 | 150 | 42 | 40 | 17 | 30 | 37 | 37 |
| Baggage cars | | 10 | | 10 | | | | |
| Dining cars | 100 | 70 | 27 | 30 | 33 | 4 | 41 | 37 |
| Parlor cars | 17 | 21 | 7 | 6 | 6 | 6 | | 17 |
| Sleeping cars | | 44 | | | | 3 | | 41 |
| Baggage and express cars | 230 | 420 | 230 | 142 | 300 | 131 | 273 | 130 |
| Postal cars | 47 | 45 | 24 | 21 | 20 | 7 | 1 | 20 |
| Other passenger train cars | 201 | 200 | 40 | 170 | 3 | 3 | 202 | 32 |
| Total | 2,436 | 2,200 | 1,252 | 1,200 | 342 | 401 | 866 | 600 |
| Company service equipment: | | | | | | | | |
| Officers' and pay cars | 22 | 44 | 7 | 10 | 7 | 6 | 6 | 17 |
| Ballast cars | 1,240 | 2,305 | 204 | 470 | 220 | 200 | 622 | 2,001 |
| Derrick cars | 67 | 52 | 26 | 27 | 7 | 9 | 26 | 20 |
| Derrick cars | 10 | 22 | 6 | 17 | | 5 | 6 | 10 |
| Wrecking cars | 200 | 127 | 27 | 60 | 126 | 61 | 26 | 20 |
| Other company service equipment | 11,202 | 10,140 | 10,200 | 6,670 | 1,200 | 600 | 3,420 | 2,700 |
| Total | 16,670 | 12,600 | 10,700 | 7,110 | 1,767 | 1,000 | 4,220 | 3,720 |
| All classes of cars in service | 234,201 | 200,110 | 60,120 | 67,071 | 72,000 | 60,000 | 60,000 | 71,102 |
| Floating equipment: | | | | | | | | |
| Steamboats and tugboats | 11 | 10 | 6 | 7 | | | 7 | 3 |
| Barges, car floats, and canal boats | 104 | 104 | 141 | 140 | 12 | 14 | 11 | 2 |
| Other floating equipment | 21 | 20 | 20 | 11 | | 6 | 1 | 1 |
| Total | 200 | 104 | 400 | 170 | 12 | 10 | 10 | 6 |

STATEMENT NO. 13.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED FROM SERVICE, CLASS I STEAM RAILWAYS—YEARS 1907 TO 1923, INCLUSIVE

| Year ended— | Locomotives | | Freight train cars | | Passenger train cars | | Company service equipment | |
|---|---|---|---|---|---|---|---|---|
| | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year |
| June 30, 1907 | 3,774 | 36 | 192,000 | 1,341 | 1,000 | 41 | 11,000 | 100 |
| 1908 | 3,227 | 1,140 | 171,536 | 78,978 | 2,107 | 1,420 | 12,000 | 3,070 |
| 1909 | 1,240 | 1,000 | 61,000 | 66,000 | 1,700 | 1,400 | 7,000 | 4,000 |
| 1910 | 3,672 | 1,420 | 134,000 | 74,000 | 2,300 | 1,900 | 10,000 | 6,000 |
| 1911 | 3,000 | 1,000 | 120,000 | 86,000 | 2,200 | 1,700 | 12,000 | 6,000 |
| 1912 | 2,000 | 1,000 | 97,000 | 40,000 | 2,000 | 1,200 | 10,000 | 6,000 |
| 1913 | 4,000 | 2,200 | 162,000 | 90,000 | 2,000 | 1,000 | 13,000 | 8,000 |
| 1914 | 3,000 | 1,000 | 140,000 | 90,000 | 3,000 | 1,000 | 12,000 | 9,000 |
| 1915 | 1,100 | 1,000 | 90,000 | 90,000 | 2,000 | 1,000 | 10,000 | 11,000 |
| 1916 | 1,000 | 2,000 | 90,000 | 100,000 | 1,000 | 2,000 | 13,000 | 12,000 |
| June 30, 1917 | 3,000 | 1,000 | 110,000 | 60,000 | 2,000 | 1,000 | 9,000 | 6,000 |
| 1918 | 2,000 | 900 | 60,000 | 50,000 | 1,000 | 1,000 | 8,000 | 5,000 |
| 1919 | 2,000 | 900 | 70,000 | 40,000 | 600 | 400 | 5,000 | 4,000 |
| 1920 | 1,000 | 1,000 | 80,000 | 70,000 | 800 | 800 | 6,000 | 5,000 |
| 1921 | 1,000 | 1,000 | 60,000 | 60,000 | 1,000 | 900 | 6,000 | 6,000 |
| 1922 | 1,000 | 1,000 | 100,000 | 100,000 | 1,000 | 1,000 | 7,000 | 6,000 |
| 1923 | 4,000 | 2,000 | 200,000 | 200,000 | 2,000 | 2,000 | 10,000 | 10,000 |

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STATEMENT No. 47.—SUMMARY OF NET CHARGES TO INVESTMENTS IN ROAD AND EQUIPMENT, YEAR ENDED DEC. 31, 1923

| Name of account | Class I steam railway companies and their non-operating subsidiaries | | | | Class I steam railway companies | | | | Non-operating companies subsidiary to Class I steam railway companies | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All Districts | Eastern District | Southern District | Western District | All Districts | Eastern District | Southern District | Western District | All Districts | Eastern District | Southern District | Western District |
| (1) Engineering | | | | | | | | | | | | |
| (2) Land for transportation purposes | | | | | | | | | | | | |
| (3) Grading | | | | | | | | | | | | |
| (4) Underground power tubes | | | | | | | | | | | | |
| (5) Tunnels and subways | | | | | | | | | | | | |
| (6) Bridges, trestles, and culverts | | | | | | | | | | | | |
| (7) Elevated structures | | | | | | | | | | | | |
| (8) Ties | | | | | | | | | | | | |
| (9) Rails | | | | | | | | | | | | |
| (10) Other track material | | | | | | | | | | | | |
| (11) Ballast | | | | | | | | | | | | |
| (12) Track laying and surfacing | | | | | | | | | | | | |
| (13) Right-of-way fences | | | | | | | | | | | | |
| (14) Snow and sand fences and snowsheds | | | | | | | | | | | | |
| (15) Crossings and signs | | | | | | | | | | | | |
| (16) Station and office buildings | | | | | | | | | | | | |
| (17) Roadway buildings | | | | | | | | | | | | |
| (18) Water stations | | | | | | | | | | | | |
| (19) Fuel stations | | | | | | | | | | | | |
| (20) Shops and engine houses | | | | | | | | | | | | |
| (21) Grain elevators | | | | | | | | | | | | |
| (22) Storage warehouses | | | | | | | | | | | | |
| (23) Wharves and docks | | | | | | | | | | | | |
| (24) Coal and ore wharves | | | | | | | | | | | | |
| (25) Gas producing plants | | | | | | | | | | | | |
| (26) Telegraph and telephone lines | | | | | | | | | | | | |
| (27) Signals and interlockers | | | | | | | | | | | | |
| (28) Power dams, canals, and pipe lines | | | | | | | | | | | | |
| (29) Power plant buildings | | | | | | | | | | | | |
| (30) Power substation buildings | | | | | | | | | | | | |
| (31) Power transmission systems | | | | | | | | | | | | |
| (32) Power distribution systems | | | | | | | | | | | | |
| (33) Power line poles and fixtures | | | | | | | | | | | | |
| (34) Underground conduits | | | | | | | | | | | | |
| (35) Miscellaneous structures | | | | | | | | | | | | |
| (36) Paving | | | | | | | | | | | | |
| (37) Roadway machines | | | | | | | | | | | | |
| (38) Roadway small tools | | | | | | | | | | | | |
| (39) Assessments for public improvements | | | | | | | | | | | | |
| (40) Revenue and operating expenses during construction | | | | | | | | | | | | |
| (41) Cost of road purchased | | | | | | | | | | | | |
| (42) Reconstruction of road purchased | | | | | | | | | | | | |
| (43) Other expenditures—road | | | | | | | | | | | | |
| (44) Shop machinery | | | | | | | | | | | | |
| (45) Power plant machinery | | | | | | | | | | | | |
| (46) Power substation apparatus | | | | | | | | | | | | |
| (47) Peopled construction material and supplies | | | | | | | | | | | | |
| Total expenditures for road | | | | | | | | | | | | |
| (51) Steam locomotives | | | | | | | | | | | | |
| (52) Other locomotives | | | | | | | | | | | | |
| (53) Freight-train cars | | | | | | | | | | | | |
| (54) Passenger-train cars | | | | | | | | | | | | |
| (55) Motor equipment of cars | | | | | | | | | | | | |
| (56) Floating equipment | | | | | | | | | | | | |
| (57) Work equipment | | | | | | | | | | | | |
| (58) Miscellaneous equipment | | | | | | | | | | | | |
| Total expenditures for equipment | | | | | | | | | | | | |
| (71) Organization expenses | | | | | | | | | | | | |
| (72) General officers and clerks | | | | | | | | | | | | |
| (73) Law | | | | | | | | | | | | |
| (74) Stationery and printing | | | | | | | | | | | | |
| (76) Taxes | | | | | | | | | | | | |
| (76) Interest during construction | | | | | | | | | | | | |
| (77) Other expenditures—General | | | | | | | | | | | | |
| Total general expenditures | | | | | | | | | | | | |
| Grand total | | | | | | | | | | | | |

[1] Includes $[illegible], undistributed

STATEMENT NO. 48.—SUMMARY OF CHARGES AND CREDITS TO INVESTMENT IN ROAD AND EQUIPMENT, BY GENERAL ACCOUNTS, YEAR ENDED DEC. 31, 1923

| Item | Grand total | I. Road | II. Equipment | III. General expenditures | Grand total | I. Road | II. Equipment | III. General expenditures |
|---|---|---|---|---|---|---|---|---|
| | Class I steam railway companies and their nonoperating subsidiaries | | | | | | | |
| | All Districts | | | | Eastern District | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Southern District | | | | Western District | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Class I steam railway companies | | | | | | | |
| | All Districts | | | | Eastern District | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Southern District | | | | Western District | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Nonoperating companies subsidiary to Class I steam railway companies | | | | | | | |
| | All Districts | | | | Eastern District | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Southern District | | | | Western District | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | | | | | | | | |
| Credits for property retired | [illegible] | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

[illegible] Includes $1,700,00[illegible] undistributed

STATEMENT NO. 50A.—SUMMARY OF RAILS LAID IN CONNECTION WITH REPLACEMENT AND BETTERMENT WORK—CLASS I STEAM RAILWAYS

| Item | All Districts | Eastern District | Southern District | Western District |
|---|---|---|---|---|
| *Year ended Dec. 31, 1921* | | | | |
| **Rails laid:** | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,733,606 | 616,524 | 377,438 | 739,644 |
| Total charges | $73,022,440 | $34,709,054 | $16,107,994 | $24,205,371 |
| Secondhand rails— | | | | |
| Number of tons (2,240 lbs.) | 1,488,776 | 694,341 | 393,840 | 411,623 |
| Total charges | $27,954,918 | $16,303,041 | $6,631,869 | $13,020,009 |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | 3,220,373 | 1,311,065 | 771,278 | 1,151,267 |
| Total charges | $100,977,458 | $51,012,095 | $22,739,873 | $37,225,380 |
| *Year ended Dec. 31, 1920* | | | | |
| **Rails laid:** | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,303,339 | 654,444 | 315,663 | 433,232 |
| Total charges | $61,688,448 | $33,749,035 | $13,977,294 | $21,962,204 |
| Secondhand rails— | | | | |
| Number of tons (2,240 lbs.) | 1,333,276 | 659,761 | 355,317 | 318,198 |
| Total charges | $32,032,050 | $16,687,060 | $8,333,911 | $10,011,080 |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | 2,636,609 | 1,311,205 | 670,770 | 751,431 |
| Total charges | $93,721,511 | $41,437,095 | $19,306,163 | $31,917,280 |
| *Year ended Dec. 31, 1921* | | | | |
| **Rails laid:** | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,454,104 | 637,665 | 342,997 | 473,442 |
| Total charges | $73,457,727 | $34,322,027 | $14,942,913 | $24,192,838 |
| Secondhand rails— | | | | |
| Number of tons (2,240 lbs.) | 1,120,110 | 555,037 | 346,040 | 200,070 |
| Total charges | $28,027,222 | $16,425,024 | $6,201,221 | $5,300,160 |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | 2,573,213 | 1,272,702 | 688,043 | 673,718 |
| Total charges | $101,484,949 | $50,747,051 | $21,144,143 | $29,393,008 |

STATEMENT NO. 51.—TIES LAID IN PREVIOUSLY CONSTRUCTED TRACKS—CLASS I STEAM RAILWAYS

| Item | All Districts | Eastern District | Southern District | Western District |
|---|---|---|---|---|
| *Year ended Dec. 31, 1922* | | | | |
| **Crossties:** | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 33,027,273 | 5,946,183 | 11,438,389 | 6,962,732 |
| Total charges | $38,967,271 | $7,488,089 | $11,964,158 | $5,694,564 |
| New softwood ties untreated— | | | | |
| Total number | 10,084,967 | 4,033,979 | 4,202,913 | 10,618,679 |
| Total charges | $15,362,699 | $5,909,099 | $4,219,494 | $9,227,998 |
| Treated ties— | | | | |
| Total number | 61,655,618 | 14,035,267 | 4,398,761 | 22,243,938 |
| Total charges | $62,160,119 | $20,041,099 | $5,562,928 | $20,306,392 |
| Secondhand wood ties— | | | | |
| Total number | 300,227 | 122,477 | 33,766 | 114,984 |
| Total charges | $132,430 | $77,616 | $7,928 | $46,886 |
| Other than wood ties— | | | | |
| Total number | 647,002 | 3,238 | 733 | 643,954 |
| Total charges | $273,990 | $11,452 | $1,213 | $261,314 |
| *Year ended Dec. 31, 1922—Continued* | | | | |
| **Crossties—Continued.** | | | | |
| All crossties— | | | | |
| Total number | 96,434,981 | 26,676,207 | 20,272,512 | 50,486,170 |
| Total charges | $109,988,109 | $41,430,260 | $21,735,709 | $45,747,140 |
| **Bridge and switch ties** | | | | |
| Number of feet (board measure) | 277,615,107 | [1] 89,670,828 | 72,708,734 | 115,147,546 |
| Total charges | $11,084,097 | [1] $5,041,423 | $2,000,860 | $4,000,000 |
| *Year ended Dec. 31, 1921* | | | | |
| **Crossties:** | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 20,027,002 | 7,120,646 | 11,480,840 | 7,485,516 |
| Total charges | $29,020,263 | $9,000,000 | $10,172,000 | $9,000,000 |
| New softwood ties untreated— | | | | |
| Total number | 19,174,102 | 4,703,177 | 4,247,002 | 10,224,024 |
| Total charges | $19,000,612 | $7,304,481 | $3,000,000 | $9,000,171 |
| Treated ties— | | | | |
| Total number | 66,620,943 | 14,309,227 | 4,614,096 | 21,647,220 |
| Total charges | $64,270,713 | $20,702,587 | $6,001,004 | $20,001,012 |
| Secondhand wood ties— | | | | |
| Total number | 245,566 | 95,200 | 16,422 | 130,000 |
| Total charges | $122,070 | $94,722 | $8,347 | $00,000 |
| Other than wood ties— | | | | |
| Total number | 654,200 | 12,164 | 16,027 | 631,120 |
| Total charges | $262,331 | $47,204 | $2,720 | $222,400 |
| All crossties— | | | | |
| Total number | 96,841,834 | 26,307,513 | 20,361,977 | 39,700,361 |
| Total charges | $111,300,017 | $40,230,747 | $20,344,770 | $44,020,004 |
| **Bridge and switch ties** | | | | |
| Number of feet (board measure) | 256,186,476 | [2] 91,000,217 | 65,063,670 | 100,002,002 |
| Total charges | $10,425,462 | [2] $4,050,005 | $2,005,700 | $3,000,000 |
| *Year ended Dec. 31, 1921* | | | | |
| **Crossties:** | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 25,145,250 | 9,254,170 | 11,414,702 | 5,470,370 |
| Total charges | $36,244,002 | $10,000,425 | $13,020,000 | $9,210,520 |
| New softwood ties untreated— | | | | |
| Total number | 23,002,307 | 5,000,730 | 4,402,200 | 12,700,304 |
| Total charges | $20,320,031 | $10,011,015 | $5,205,121 | $13,000,105 |
| Treated ties— | | | | |
| Total number | 36,071,000 | 11,225,001 | 4,002,504 | 20,704,404 |
| Total charges | $30,020,002 | $23,701,002 | $7,340,000 | $20,010,401 |
| Secondhand wood ties— | | | | |
| Total number | 474,714 | 153,207 | 10,000 | 400,440 |
| Total charges | [3] 05,000 | $257,455 | $3,572 | $203,052 |
| Other than wood ties— | | | | |
| Total number | 330,150 | 202,102 | 74,500 | 100,440 |
| Total charges | $000,402 | $574,020 | $110,047 | $201,400 |
| All crossties— | | | | |
| Total number | 85,521,550 | 26,003,330 | 19,005,224 | 39,450,003 |
| Total charges | $120,321,320 | $51,202,701 | $25,004,250 | $40,354,307 |
| **Bridge and switch ties** | | | | |
| Number of feet (board measure) | 256,207,720 | [3] 92,726,444 | 61,107,353 | 102,353,013 |
| Total charges | $13,002,302 | [3] $5,344,400 | $2,040,500 | $5,000,200 |

[1] Does not include data for 36,000 linear feet of steel ties.
[2] Does not include data for 24,027 linear feet of steel ties.
[3] Does not include data for 58,921 linear feet of steel ties.

STATEMENT No. 14.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED BY CLASS I STEAM RAILWAYS DURING THE YEAR ENDED DECEMBER 31, 1924

| | All districts | | Eastern district | | Southern district | | Western district | |
|---|---|---|---|---|---|---|---|---|
| | Installed | Retired | Installed | Retired | Installed | Retired | Installed | Retired |
| Locomotives: | | | | | | | | |
| Steam | 3,775 | 2,124 | 1,102 | 1,202 | 732 | 388 | 942 | 734 |
| Electric | 11 | 5 | 9 | 6 | 2 | | | |
| Total | 3,786 | 2,129 | 1,110 | 1,207 | 734 | 388 | 942 | 734 |
| Freight-train cars: | | | | | | | | |
| Box cars | 76,119 | 53,000 | 30,564 | 21,346 | 14,370 | 11,000 | 32,200 | 20,649 |
| Flat cars | 9,617 | 6,000 | 2,017 | 1,171 | 2,600 | 1,525 | 5,000 | 3,623 |
| Stock cars | 5,041 | 4,054 | 2,052 | 947 | 27 | 130 | 2,962 | 2,977 |
| Coal cars | 46,530 | 47,328 | 22,136 | 20,207 | 21,000 | 18,165 | 6,276 | 6,956 |
| Tank cars | 650 | 228 | | 24 | 6 | | 600 | 204 |
| Refrigerator cars | 7,200 | 4,000 | 2,700 | 2,000 | 4 | 60 | 2,442 | 1,900 |
| Caboose cars | 1,347 | 901 | 200 | 626 | 202 | 172 | 800 | 203 |
| Other freight-train cars | 2,646 | 1,000 | 212 | 1,200 | 600 | 151 | 1,000 | 1,000 |
| Total | 150,173 | 118,200 | 71,201 | 51,500 | 39,000 | 32,544 | 45,200 | 34,450 |
| Passenger-train cars: | | | | | | | | |
| Coaches | 1,000 | 954 | 641 | 676 | 136 | 98 | 205 | 270 |
| Combination passenger cars | 100 | 101 | 77 | 107 | 6 | 36 | 84 | 60 |
| Other combination cars | 200 | 140 | 36 | 20 | 77 | 26 | 125 | 60 |
| Sleeping cars | | 6 | | 6 | | | | |
| Dining cars | 157 | 60 | 63 | 34 | 22 | 7 | 92 | 60 |
| Parlor cars | 34 | 21 | 6 | 4 | 9 | 2 | 20 | 15 |
| Observation cars | | 64 | | | | 2 | | 62 |
| Baggage and express cars | 607 | 300 | 200 | 254 | 100 | 60 | 200 | 240 |
| Postal cars | 22 | 170 | 10 | 13 | 6 | 26 | 14 | 70 |
| Other passenger-train cars | 101 | 170 | 157 | 66 | 6 | 7 | 10 | 14 |
| Total | 2,726 | 2,206 | 1,270 | 1,004 | 611 | 364 | 1,000 | 837 |
| Company service equipment: | | | | | | | | |
| Officers' and pay cars | 40 | 60 | 12 | 28 | 2 | 1 | 20 | 25 |
| Ballast cars | 2,012 | 1,000 | 600 | 400 | 1,041 | 275 | 712 | 725 |
| Derrick cars | 72 | 40 | 22 | 20 | 9 | 6 | 20 | 20 |
| Steam shovels | 6 | 26 | 2 | 16 | 2 | 4 | 2 | 12 |
| Wrecking cars | 174 | 200 | 60 | 122 | 76 | 20 | 21 | 120 |
| Other company service equipment | 10,227 | 6,174 | 4,401 | 4,077 | 1,721 | 1,114 | 2,000 | 2,000 |
| Total | 12,000 | 11,200 | 6,106 | 4,766 | 2,852 | 1,420 | 2,041 | 4,000 |
| All classes of cars in service | 172,176 | 132,134 | 78,000 | 66,200 | 42,201 | 34,204 | 50,200 | 39,511 |
| Floating equipment: | | | | | | | | |
| Steamboats and tugboats | 20 | 12 | 10 | 6 | | 1 | 6 | 6 |
| Barges, car floats, and canal boats | 74 | 101 | 60 | 94 | | 6 | 6 | 5 |
| Other floating equipment | 10 | 6 | 10 | 7 | | | | 1 |
| Total | 104 | 124 | 90 | 107 | 0 | 10 | 10 | 0 |

STATEMENT No. 15.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED FROM SERVICE, CLASS I STEAM RAILWAYS—YEARS 1907 TO 1924, INCLUSIVE

| Year ended— | Locomotives | | Freight-train cars | | Passenger-train cars | | Company service equipment | |
|---|---|---|---|---|---|---|---|---|
| | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year |
| June 30, 1907 | 3,776 | 26 | 102,000 | 1,041 | 1,000 | 41 | 11,000 | 100 |
| 1908 | 4,227 | 1,140 | 171,000 | 70,000 | 2,100 | 1,000 | 12,000 | 4,000 |
| 1909 | 1,040 | 1,200 | 67,000 | 60,000 | 1,700 | 1,000 | 7,200 | 4,041 |
| 1910 | 3,072 | 1,422 | 134,000 | 70,000 | 2,000 | 1,014 | 10,000 | 4,010 |
| 1911 | 3,000 | 1,400 | 125,000 | 60,000 | 4,200 | 1,700 | 12,000 | 4,071 |
| 1912 | 2,000 | 1,000 | 97,000 | 60,000 | 2,000 | 1,207 | 10,000 | 4,000 |
| 1913 | 4,201 | 2,226 | 162,000 | 90,000 | 2,020 | 1,042 | 12,014 | 4,007 |
| 1914 | 2,242 | 1,002 | 120,000 | 90,000 | 2,020 | 1,004 | 12,204 | 4,100 |
| 1915 | 1,114 | 1,207 | 66,012 | 90,247 | 2,004 | 1,200 | 10,220 | 11,707 |
| 1916 | 1,470 | 2,170 | 60,204 | 100,000 | 1,201 | 2,100 | 13,000 | 12,440 |
| Dec. 31, 1917 | 2,140 | 1,422 | 117,210 | 62,250 | 2,020 | 1,471 | 9,440 | 6,027 |
| 1918 | 2,000 | 977 | 65,200 | 64,004 | 1,017 | 1,001 | 9,210 | 5,220 |
| 1919 | 2,002 | 900 | 70,010 | 62,274 | 420 | 670 | 5,020 | 4,100 |
| 1920 | 1,017 | 1,254 | 30,044 | 75,107 | 621 | 005 | 6,000 | 5,400 |
| 1921 | 1,220 | 1,120 | 42,400 | 60,245 | 1,001 | 020 | 4,201 | 4,004 |
| 1922 | 1,270 | 1,002 | 105,204 | 120,471 | 1,220 | 1,206 | 7,427 | 6,544 |
| 1923 | 4,200 | 2,706 | 222,000 | 213,200 | 2,000 | 2,200 | 10,073 | 12,000 |
| 1924 | 2,700 | 2,120 | 150,572 | 110,100 | 2,700 | 2,200 | 12,000 | 11,200 |

STATEMENT No. 47.—SUMMARY OF NET CHARGES TO INVESTMENT IN ROAD AND EQUIPMENT, YEAR ENDED DECEMBER 31, 1924

| Name of account | Class I steam railway companies and their non operating subsidiaries | | | | Class I steam railway companies | | | | Nonoperating companies subsidiary to Class I steam railway companies | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All districts | Eastern district | Southern district | Western district | All districts | Eastern district | Southern district | Western district | All districts | Eastern district | Southern district | Western district |
| (1) Engineering | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (2) Land for transportation purposes | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (3) Grading | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (4) Underground power tubes | 1,210 | 1,210 | | | 1,210 | 1,210 | | | | | | |
| (5) Tunnels and subways | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | | [illegible] |
| (6) Bridges, trestles, and culverts | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (7) Elevated structures | [illegible] | [illegible] | 71 | [illegible] | [illegible] | [illegible] | 71 | [illegible] | [illegible] | [illegible] | | [illegible] |
| (8) Ties | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (9) Rails | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (10) Other track material | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (11) Ballast | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (12) Track laying and surfacing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (13) Right-of-way fences | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (14) Snow and sand fences and snowsheds | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (15) Crossings and signs | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (16) Station and office buildings | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (17) Roadway buildings | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (18) Water stations | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (19) Fuel stations | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (20) Shops and enginehouses | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (21) Grain elevators | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (22) Storage warehouses | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (23) Wharves and docks | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (24) Coal and ore wharves | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (25) Gas producing plants | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (26) Telegraph and telephone lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (27) Signals and interlockers | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (28) Power dams, canals, and pipe lines | 67 | | | 67 | 67 | | | 67 | | | | |
| (29) Power plant buildings | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (30) Power substation buildings | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (31) Power transmission systems | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (32) Power distribution systems | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (33) Power line poles and fixtures | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (34) Underground conduits | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (35) Miscellaneous structures | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (36) Paving | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (37) Roadway machines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (38) Roadway small tools | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (39) Assessments for public improvements | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (40) Revenue and operating expenses during construction | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (41) Cost of road purchased | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (42) Reconstruction of road purchased | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (43) Other expenditures—road | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (44) Shop machinery | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (45) Power plant machinery | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (46) Power substation apparatus | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (47) Unapplied construction material and supplies | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total expenditures for road | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (51) Steam locomotives | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (52) Other locomotives | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (53) Freight-train cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (54) Passenger-train cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (55) Motor equipment of cars | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (56) Floating equipment | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (57) Work equipment | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (58) Miscellaneous equipment | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total expenditures for equipment | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (71) Organization expenses | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (72) General officers and clerks | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (73) Law | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (74) Stationery and printing | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (76) Taxes | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (76) Interest during construction | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| (77) Other expenditures—general | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total general expenditures | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Grand total | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

STATEMENT No. 48.—SUMMARY OF CHARGES AND CREDITS TO INVESTMENT IN ROAD AND EQUIPMENT, BY GENERAL ACCOUNTS, YEAR ENDED DECEMBER 31, 1924

| Item | Grand total | I. Road | II. Equipment | III. General expenditures | Grand total | I. Road | II. Equipment | III. General expenditures |
|---|---|---|---|---|---|---|---|---|
| | Class I steam railway companies and their nonoperating subsidiaries | | | | | | | |
| | All districts | | | | Eastern district | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Southern district | | | | Western district | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Class I steam railway companies | | | | | | | |
| | All districts | | | | Eastern district | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Southern district | | | | Western district | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Nonoperating companies subsidiary to Class I steam railway companies | | | | | | | |
| | All districts | | | | Eastern district | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | Southern district | | | | Western district | | | |
| Expenditures for new lines and extensions | [illegible] | [illegible] | | | [illegible] | [illegible] | [illegible] | [illegible] |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Made on leased lines | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Credits for property retired | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Adjustments | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Net charges during year | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## Statement No. 50-A.—Summary of Rails Laid in Connection with Replacement and Betterment Work—Class I Steam Railways

| Item | All districts | Eastern district | Southern district | Western district |
|---|---|---|---|---|
| *Year ended Dec. 31, 1931* | | | | |
| **Rails laid:** | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,701,102 | 707,006 | 455,150 | 538,945 |
| Total charges | $60,716,162 | $21,709,052 | $15,302,217 | $23,704,893 |
| Second-hand rails— | | | | |
| Number of tons (2,240 lbs.) | 1,308,374 | 624,972 | 354,979 | 327,424 |
| Total charges | $36,309,743 | $16,289,160 | $8,942,430 | $11,078,153 |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | 3,109,526 | 1,332,058 | 736,259 | 1,117,707 |
| Total charges | $117,979,934 | $48,058,301 | $27,343,647 | $41,577,986 |
| *Year ended Dec. 31, 1930* | | | | |
| **Rails laid:** | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,720,000 | 816,004 | 377,406 | 526,590 |
| Total charges | $75,002,400 | $34,700,004 | $16,107,004 | $24,195,371 |
| Second-hand rails— | | | | |
| Number of tons (2,240 lbs.) | 1,400,274 | 635,241 | 305,010 | 311,023 |
| Total charges | $37,054,010 | $16,803,041 | $8,021,000 | $12,230,169 |

| Item | All districts | Eastern district | Southern district | Western district |
|---|---|---|---|---|
| *Year ended Dec. 31, 1929—Continued* | | | | |
| **Rails laid—Continued** | | | | |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | 3,120,273 | 1,452,245 | 682,409 | 1,045,431 |
| Total charges | $112,977,409 | $51,573,006 | $25,730,973 | $35,673,430 |
| *Year ended Dec. 31, 1928* | | | | |
| **Rails laid:** | | | | |
| New rails— | | | | |
| Number of tons (2,240 lbs.) | 1,300,200 | 654,444 | 318,962 | 646,992 |
| Total charges | $61,455,444 | $28,740,000 | $13,903,354 | $21,709,204 |
| Second-hand rails— | | | | |
| Number of tons (2,240 lbs.) | 1,250,276 | 650,761 | 324,017 | 475,498 |
| Total charges | $32,002,005 | $15,007,000 | $8,320,011 | $10,681,000 |
| All rails— | | | | |
| Number of tons (2,240 lbs.) | 2,610,400 | 1,311,200 | 642,770 | 1,094,740 |
| Total charges | $93,441,411 | $43,457,000 | $19,304,103 | $32,057,200 |

## Statement No. 51.—Ties Laid in Previously Constructed Tracks—Class I Steam Railways

| Item | All districts | Eastern district | Southern district | Western district |
|---|---|---|---|---|
| *Year ended Dec. 31, 1931* | | | | |
| **Crossties:** | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 20,000,700 | 4,700,214 | 10,070,000 | 5,430,702 |
| Total charges | $00,000,044 | $8,401,000 | $10,000,000 | $6,000,005 |
| New softwood ties untreated— | | | | |
| Total number | 10,000,440 | 2,000,110 | 3,700,270 | 10,000,000 |
| Total charges | $10,200,007 | $4,000,001 | $4,107,004 | $0,430,702 |
| Treated ties— | | | | |
| Total number | 40,000,007 | 15,140,200 | 4,000,077 | 20,720,000 |
| Total charges | $00,500,500 | $20,000,000 | $0,000,702 | $32,121,022 |
| Second-hand wood ties— | | | | |
| Total number | 200,700 | 100,140 | 12,002 | 140,042 |
| Total charges | $100,002 | $70,704 | $5,000 | $74,000 |
| Other than wood ties— | | | | |
| Total number | 2,500 | 2,224 | | 20 |
| Total charges | $12,120 | $12,000 | | $70 |
| All crossties— | | | | |
| Total number | 60,072,000 | 20,040,420 | 10,012,000 | 60,210,000 |
| Total charges | $110,210,700 | $40,200,107 | $22,012,177 | $47,000,007 |
| **Bridge and switch ties:** | | | | |
| Number of feet (board measure) | 200,200,200 | [1]100,000,000 | 70,004,000 | 111,200,012 |
| Total charges | $12,070,140 | [1] $5,000,120 | $2,021,004 | $4,200,225 |
| *Year ended Dec. 31, 1930* | | | | |
| **Crossties:** | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 25,007,272 | 5,505,122 | 11,420,200 | 6,002,722 |
| Total charges | $25,047,571 | $7,400,050 | $11,044,120 | $6,404,254 |
| New softwood ties untreated— | | | | |
| Total number | 15,004,007 | 4,002,570 | 4,202,012 | 10,010,470 |
| Total charges | $10,102,000 | $3,000,000 | $4,210,004 | $0,227,000 |
| Treated ties— | | | | |
| Total number | 41,000,010 | 14,000,007 | 4,000,741 | 22,542,000 |
| Total charges | $02,100,110 | $20,041,000 | $5,542,420 | $20,500,200 |
| Second-hand wood ties— | | | | |
| Total number | 200,227 | 122,477 | 22,740 | 114,000 |
| Total charges | $122,000 | $77,010 | $7,020 | $40,000 |

| Item | All districts | Eastern district | Southern district | Western district |
|---|---|---|---|---|
| *Year ended Dec. 31, 1930—Continued* | | | | |
| **Crossties—Continued** | | | | |
| Other than wood ties— | | | | |
| Total number | 647,002 | 3,225 | 725 | 643,054 |
| Total charges | $272,000 | $11,450 | $1,212 | $260,254 |
| All crossties— | | | | |
| Total number | 84,454,000 | 24,070,207 | 20,272,242 | 30,000,170 |
| Total charges | $100,000,100 | $41,455,200 | $21,725,700 | $43,747,140 |
| **Bridge and switch ties:** | | | | |
| Number of feet (board measure) | 277,012,107 | [1] 00,070,020 | 72,700,720 | 100,147,000 |
| Total charges | $11,004,007 | [1] $5,041,000 | $2,000,000 | $4,000,000 |
| *Year ended Dec. 31, 1929* | | | | |
| **Crossties:** | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 20,007,002 | 7,120,540 | 11,450,140 | 7,400,014 |
| Total charges | $20,450,202 | $0,000,000 | $10,172,000 | $0,500,000 |
| New softwood ties untreated— | | | | |
| Total number | 10,174,102 | 4,700,177 | 4,247,002 | 10,224,004 |
| Total charges | $10,000,012 | $7,004,001 | $3,400,000 | $0,000,171 |
| Treated ties— | | | | |
| Total number | 00,020,002 | 14,000,227 | 4,014,000 | [illegible] |
| Total charges | $04,270,212 | $20,702,227 | $0,001,004 | $20,021,012 |
| Second-hand wood ties— | | | | |
| Total number | 200,000 | 05,200 | 10,422 | 120,000 |
| Total charges | $122,070 | $04,722 | $0,247 | $00,000 |
| Other than wood ties— | | | | |
| Total number | 504,200 | 12,104 | 10,027 | 001,120 |
| Total charges | $202,221 | $17,224 | $2,725 | $222,400 |
| All crossties— | | | | |
| Total number | 00,041,024 | 20,207,212 | 20,241,077 | 20,702,242 |
| Total charges | $111,200,017 | $40,220,747 | $20,044,770 | $42,420,004 |
| **Bridge and switch ties:** | | | | |
| Number of feet (board measure) | 250,100,470 | [1] 01,000,217 | 00,000,470 | 100,000,000 |
| Total charges | $10,420,002 | [1] $4,000,000 | $2,000,700 | $3,000,000 |

[1] Does not include data for 6,325 linear feet of steel ties. [1] Does not include data for 20,000 linear feet of steel ties. [1] Does not include data for 24,007 linear feet of steel ties.

16 b (20)

STATEMENT No. 14.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED BY CLASS I STEAM RAILWAYS DURING THE YEAR ENDED DECEMBER 31, 1925

| Class of equipment | All districts | | Eastern district | | Southern district | | Western district | |
|---|---|---|---|---|---|---|---|---|
| | Installed | Retired | Installed | Retired | Installed | Retired | Installed | Retired |
| Locomotives | | | | | | | | |
| Steam | 1,386 | 2,473 | 911 | 1,525 | 476 | 337 | 599 | 1,092 |
| Electric | 11 | 1 | 1 | | 10 | 1 | | |
| Total | 1,397 | 2,474 | 912 | 1,525 | 486 | 338 | 599 | 1,092 |
| Freight-train cars | | | | | | | | |
| Box cars | 67,948 | 57,260 | 29,196 | 19,643 | 11,644 | 11,471 | 27,292 | 25,712 |
| Flat cars | 5,744 | 4,250 | 1,602 | 1,089 | 940 | 2,434 | 3,227 | 2,429 |
| Stock cars | 3,958 | 4,097 | 1,167 | 742 | 639 | 616 | 2,111 | 2,739 |
| Coal cars | 99,868 | 99,220 | 18,270 | 22,163 | 20,563 | 17,449 | 14,940 | 13,170 |
| Tank cars | 520 | 220 | | 20 | | 5 | 333 | 195 |
| Refrigerator cars | 4,302 | 7,399 | 1,788 | 3,254 | | 263 | 2,540 | 3,211 |
| Caboose cars | 1,207 | 1,226 | 663 | 649 | 230 | 290 | 332 | 287 |
| Other freight-train cars | 4,570 | 3,718 | 1,391 | 1,081 | 1,213 | 880 | 1,566 | 2,302 |
| Total | 130,983 | 129,173 | 53,369 | 48,973 | 35,234 | 29,473 | 52,380 | 50,227 |
| Passenger-train cars | | | | | | | | |
| Coaches | 744 | 1,172 | 388 | 511 | 143 | 186 | 213 | 482 |
| Combination passenger cars | 214 | 264 | 112 | 144 | 16 | 39 | 126 | 101 |
| Other combination cars | 110 | 126 | 50 | 57 | 29 | 42 | 60 | 67 |
| Sleeping cars | | | | | | | | |
| Dining cars | 46 | 36 | 27 | 13 | 19 | 4 | 10 | 42 |
| Parlor cars | 17 | 14 | 1 | 6 | 6 | 6 | 6 | 20 |
| Observation cars | 5 | 33 | | | 3 | 21 | | 14 |
| Baggage and express cars | 1,044 | 1,300 | 1,043 | 1,086 | 161 | 119 | 240 | 219 |
| Postal cars | 52 | 42 | 3 | 29 | 11 | 11 | 38 | 32 |
| Other passenger-train cars | 104 | 136 | 129 | 125 | 20 | 6 | 24 | 25 |
| Total | 3,230 | 3,909 | 1,705 | 2,192 | 439 | 294 | 778 | 993 |
| Company service equipment | | | | | | | | |
| Officers' and pay cars | 29 | 29 | 6 | 6 | 4 | 3 | 29 | 17 |
| Ballast cars | 1,178 | 2,473 | 343 | 867 | 14 | 529 | 975 | 1,477 |
| Derrick cars | 95 | 80 | 70 | 68 | 9 | 10 | 16 | 22 |
| Pile-driving cars | 11 | 28 | 9 | 11 | | 6 | 2 | 9 |
| Work cars | 227 | 128 | 93 | 39 | 68 | 22 | 126 | 67 |
| Other company service equipment | 10,554 | 10,290 | 3,692 | 4,677 | 2,508 | 1,901 | 4,106 | 4,422 |
| Total | 12,101 | 12,944 | 4,214 | 5,650 | 2,601 | 1,470 | 5,106 | 6,024 |
| All classes of cars in service | 134,414 | 145,026 | 69,538 | 58,115 | 38,604 | 30,327 | 66,194 | 56,284 |
| Floating equipment | | | | | | | | |
| Steamboats and tugboats | 15 | 20 | 10 | 12 | | 1 | 5 | 7 |
| Barges, car floats, and canal boats | 85 | 68 | 78 | 67 | 5 | 1 | 2 | 1 |
| Other floating equipment | 1 | 10 | 1 | 14 | | 1 | | 1 |
| Total | 101 | 108 | 89 | 93 | 5 | 3 | 7 | 9 |

STATEMENT No. 15.—SUMMARY OF EQUIPMENT INSTALLED AND RETIRED FROM SERVICE, CLASS I STEAM RAILWAYS—YEARS 1907 TO 1925, INCLUSIVE

| Year ended | Locomotives | | Freight-train cars | | Passenger-train cars | | Company service equipment | |
|---|---|---|---|---|---|---|---|---|
| | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year | Number installed during year | Number retired during year |
| June 30, 1907 | 3,774 | 36 | 192,886 | 1,641 | 1,080 | 61 | 11,889 | 108 |
| 1908 | 3,227 | 1,140 | 171,548 | 78,070 | 2,103 | 1,420 | 12,348 | 3,975 |
| 1909 | 1,549 | 1,333 | 67,925 | 83,223 | 1,700 | 1,081 | 7,322 | 5,341 |
| 1910 | 4,072 | 1,497 | 194,508 | 75,692 | 2,706 | 1,914 | 15,035 | 6,816 |
| 1911 | 3,994 | 1,698 | 125,532 | 88,081 | 4,270 | 1,701 | 12,981 | 6,921 |
| 1912 | 2,961 | 1,838 | 97,572 | 68,826 | 3,090 | 1,287 | 10,420 | 8,000 |
| 1913 | 4,391 | 2,336 | 142,670 | 96,925 | 2,925 | 1,842 | 13,014 | 8,397 |
| 1914 | 3,265 | 1,982 | 138,813 | 96,985 | 3,029 | 1,884 | 12,354 | 8,130 |
| 1915 | 1,114 | 1,907 | 88,012 | 90,347 | 2,004 | 1,285 | 10,229 | 11,787 |
| 1916 | 1,475 | 2,576 | 88,254 | 109,906 | 1,291 | 2,139 | 13,096 | 13,648 |
| Dec. 31, 1917 | 2,168 | 1,423 | 117,290 | 92,253 | 2,535 | 1,671 | 9,445 | 6,027 |
| 1918 | 2,008 | 977 | 65,260 | 56,024 | 1,817 | 1,084 | 9,210 | 5,880 |
| 1919 | 2,062 | 980 | 76,019 | 63,274 | 435 | 670 | 5,925 | 4,190 |
| 1920 | 1,617 | 1,254 | 86,044 | 73,197 | 621 | 886 | 6,628 | 5,409 |
| 1921 | 1,330 | 1,130 | 63,606 | 60,265 | 1,081 | 920 | 4,281 | 4,004 |
| 1922 | 3,239 | 1,682 | 105,304 | 120,471 | 1,326 | 1,286 | 7,437 | 6,548 |
| 1923 | 4,360 | 3,744 | 232,080 | 213,700 | 2,488 | 2,360 | 16,673 | 13,980 |
| 1924 | 2,706 | 2,329 | 156,572 | 118,360 | 2,755 | 2,256 | 12,649 | 11,260 |
| 1925 | 1,980 | 2,873 | 130,083 | 126,573 | 3,230 | 3,909 | 12,101 | 12,944 |

STATEMENT No. 47. SUMMARY OF NET CHANGES TO INVESTMENT IN ROAD AND EQUIPMENT, YEAR ENDED DECEMBER 31, 1925

| Name of account | Class I steam railway companies and their corporating subsidiaries | | | | Class I steam railway companies | | | | Non-operating companies subsidiary to Class I steam railway companies | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All districts | Eastern district | Southern district | Western district | All districts | Eastern district | Southern district | Western district | All districts | Eastern district | Southern district | Western district |
| (1) Engineering | $13,438,999 | $6,006,473 | 94,111,620 | $2,320,906 | $11,950,641 | $2,241,640 | $7,481,372 | $1,200,649 | $2,715,614 | $764,833 | $340,334 | $650,717 |
| (2) Land for transportation purposes | 34,702,892 | 10,624,420 | 20,155,474 | 3,784,994 | 49,332,340 | 9,122,446 | 29,220,227 | 11,309,967 | 5,229,992 | 2,579,254 | 325,087 | 1,796,611 |
| (3) Grading | 64,228,143 | 15,220,111 | 30,473,128 | 18,532,902 | 62,893,111 | 9,695,020 | 40,922,640 | 8,950,447 | 14,427,920 | 5,718,136 | 3,268,414 | 5,142,970 |
| (4) Underground power tubes | | | | | | | | | | | | |
| (5) Tunnels and subways | 4,220,427 | 32,471 | 304,920 | 3,883,112 | 873,990 | 54,240 | 307,700 | 90,150 | 3,436,214 | 2,644 | 26,480 | 3,421,294 |
| (6) Bridges, trestles, and culverts | 30,467,480 | 13,342,620 | 17,402,629 | 12,042,489 | 46,240,961 | 9,402,306 | 29,454,127 | 10,374,528 | 3,999,920 | 1,980,000 | 1,331,253 | 2,708,773 |
| (7) Elevated structures | 5,000 | 13,412 | 77 | 6,973 | 6,020 | 12,995 | 77 | 6,438 | 957 | 346 | | 662 |
| (8) Ties | 21,980,420 | 8,243,200 | 10,170,980 | 3,574,960 | 20,270,060 | 2,670,620 | 14,000,202 | 3,906,620 | 2,260,720 | 823,900 | 169,200 | 1,772,560 |
| (9) Rails | 10,029,202 | 4,750,100 | 20,260,844 | 10,500,448 | 13,670,264 | 5,020,227 | 20,627,624 | 7,020,953 | 6,220,000 | 2,132,448 | 925,440 | 3,211,665 |
| (10) Other track material | 17,300,944 | 11,175,250 | 14,227,775 | 11,900,900 | 31,125,220 | 8,497,000 | 13,424,300 | 9,052,941 | 6,190,350 | 2,677,413 | 552,123 | 2,964,000 |
| (11) Ballast | 23,490,000 | 6,264,200 | 11,620,740 | 7,202,420 | 20,625,002 | 5,270,620 | 11,313,705 | 5,040,262 | 2,765,620 | 913,640 | 306,947 | 1,702,221 |
| (12) Track laying and surfacing | 19,364,760 | 6,084,150 | 13,322,760 | 5,130,940 | 20,254,113 | 2,615,620 | 14,364,725 | 3,673,542 | 6,206,670 | 1,467,400 | 950,047 | 1,088,223 |
| (13) Right-of-way fences | 300,220 | 117,620 | 202,340 | 240,640 | 242,450 | 55,000 | 217,420 | 161,170 | 140,227 | 62,340 | 45,113 | 77,471 |
| (14) Snow and sand fences and snow sheds | 664,605 | 51,200 | 720 | 620,884 | 90,260 | 20,400 | 720 | 69,420 | 574,420 | 13,142 | | 560,640 |
| (15) Crossings and signs | 11,920,217 | 4,140,000 | 3,620,000 | 2,760,220 | 9,660,272 | 4,120,010 | 2,760,000 | 2,540,262 | 2,260,945 | 2,000,000 | 220,000 | 275,360 |
| (16) Station and office buildings | 20,000,720 | 10,700,200 | 12,020,120 | 7,002,200 | 20,720,107 | 9,020,000 | 12,207,407 | 5,500,020 | 6,240,020 | 1,700,272 | 600,000 | 1,007,570 |
| (17) Roadway buildings | 3,007,007 | 220,000 | 2,000,020 | 1,120,020 | 2,000,700 | 200,020 | 2,120,200 | 220,220 | 000,220 | 47,200 | 220,020 | 570,200 |
| (18) Water stations | 6,217,001 | 1,000,220 | 2,020,000 | 2,220,020 | 5,200,020 | 000,220 | 2,020,010 | 1,020,000 | 1,010,000 | 020,020 | 120,000 | 470,220 |
| (19) Fuel stations | 3,000,720 | 020,000 | 1,200,200 | 1,200,520 | 2,020,020 | 000,220 | 1,200,020 | 000,220 | 000,000 | 000,000 | 000,000 | 000,220 |
| (20) Shops and enginehouses | 20,120,007 | 5,220,220 | 12,000,000 | 3,020,000 | 20,120,220 | 5,020,220 | 10,200,000 | 5,000,220 | 3,000,000 | 1,200,220 | 1,220,000 | 600,220 |
| (21) Grain elevators | 1,000,200 | 200,000 | 7,000 | 1,020,000 | 1,020,000 | 200,000 | 12,000 | 1,020,000 | 1,020 | 1,000 | 1,200 | 2,020 |
| (22) Storage warehouses | 220,000 | 20,000 | 120,000 | 80,000 | 220,000 | 10,000 | 120,000 | 90,000 | 1,000 | | 2,000 | 2,020 |
| (23) Wharves and docks | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,220,000 | 1,000,000 | 420,000 | 200,000 | 220,000 | 20 | 520,000 |
| (24) Coal and ore wharves | 3,000,120 | 1,020,120 | 000,120 | 1,220,000 | 2,000,200 | 000,000 | 000,000 | 1,020,200 | 1,020,200 | 000,000 | 100,200 | 320,000 |
| (25) Ore producing plants | 7,120 | 4,000 | 2,000 | 1,120 | 4,720 | 2,000 | 1,000 | 1,000 | 2,400 | 2,400 | | 640 |
| (26) Telegraph and telephone lines | 4,020,720 | 1,220,000 | 1,020,000 | 1,220,000 | 3,220,000 | 000,000 | 1,000,000 | 1,220,000 | 000,000 | 000,000 | 100,000 | 220,000 |
| (27) Signals and interlockers | 11,000,000 | 4,000,200 | 4,000,000 | 3,000,000 | 12,200,000 | 4,200,000 | 4,200,000 | 3,000,000 | 2,000,200 | 1,000,200 | 000,000 | 000,000 |
| (28) Power dams, canals, and pipe lines | 8,000 | | | 8,000 | 8,000 | | | 8,000 | | | | |
| (29) Power plant buildings | 1,000,000 | 1,120,000 | 420,000 | 220,000 | 1,000,000 | 000,000 | 420,000 | 000,000 | 000,000 | 200,000 | 000,000 | 14,000 |
| (30) Power substation buildings | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 2,000 | 000,000 |
| (31) Power transmission systems | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (32) Power distribution systems | 3,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 2,000,000 | 1,000,000 | 1,000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (33) Power line poles and fixtures | 2,000,000 | 000,000 | 1,000,000 | 000,000 | 2,000,000 | 000,000 | 1,000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (34) Underground conduits | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (35) Miscellaneous structures | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (36) Paving | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (37) Roadway machines | 1,000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (38) Roadway small tools | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (39) Assessments for public improvements | 3,000,000 | 1,000,000 | 000,000 | 1,000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (40) Revenue and operating expenses during construction | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (41) Cost of road purchased | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (42) Reconstruction of road purchased | 000,000,000 | 000,000,000 | 000,000 | 000,000 | 000,000,000 | 000,000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (43) Other expenditures—road | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (44) Shop machinery | 10,000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (45) Power plant machinery | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (46) Power substation apparatus | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (47) Unapplied constructive material and supplies | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| Total expenditures for road | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (51) Steam locomotives | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (52) Other locomotives | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (53) Freight-train cars | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (54) Passenger-train cars | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (55) Motor equipment of cars | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (56) Floating equipment | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (57) Work equipment | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (58) Miscellaneous equipment | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| Total expenditures for equipment | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (71) Organization expenses | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (72) General officers and clerks | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (73) Law | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (74) Stationery and printing | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (75) Taxes | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| (76) Interest during construction | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| (77) Other expenditures—general | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 | 000,000 |
| Total general expenditures | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |
| Grand total | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 | 000,000,000 |

[1] Includes a credit of $[illegible], by the Seaboard Air Line Ry. Co., on account of distribution to primary accounts of amount charged to "Cost of road purchased" in prior years.

1(b)(22)

STATEMENT NO. 18.—SUMMARY OF CHARGES AND CREDITS TO INVESTMENT IN ROAD AND EQUIPMENT, BY GENERAL ACCOUNTS, YEAR ENDED DECEMBER 31, 1925

| Item | Grand total | I. Road | II. Equipment | III. General expenditures | Grand total | I. Road | II. Equipment | III. General expenditures |
|---|---|---|---|---|---|---|---|---|
| | Class I steam railway companies and their nonoperating subsidiaries | | | | | | | |
| | All districts | | | | Eastern district | | | |
| Expenditures for new lines and extensions | $47,317,634 | $46,317,313 | $1,000,334 | $438,087 | $5,732,460 | $5,709,122 | | $23,338 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 733,188,088 | 367,981,286 | 361,906,802 | 3,300,720 | 294,471,056 | 131,497,219 | $131,643,854 | 1,329,984 |
| Made on leased lines | 31,430,009 | 31,187,447 | 100,440 | 121,172 | 15,873,945 | 15,721,576 | 34,679 | 117,302 |
| Credits for property retired | 117,000,014 | 68,781,888 | 100,847,187 | 447,194 | 30,765,897 | 30,606,788 | 68,890,781 | 275,428 |
| Adjustments | 3,641,864 | 4,960,889 | 3,635,432 | 781,388 | 8,161,674 | 6,150,614 | 1,930,580 | 1,151,360 |
| Net charges during year | 579,974,709 | 300,325,894 | 214,686,956 | 3,440,889 | 194,152,783 | 117,197,615 | 64,611,262 | 2,343,906 |
| | Southern district | | | | Western district | | | |
| Expenditures for new lines and extensions | 11,329,579 | 11,140,671 | 200 | 188,687 | 30,006,491 | 29,348,220 | 1,654,134 | 42,747 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 198,995,307 | 104,000,310 | 86,961,959 | 761,894 | 270,781,729 | 132,373,757 | 143,920,184 | 479,980 |
| Made on leased lines | 3,778,211 | 3,649,980 | 125,731 | 3,500 | 1,785,973 | 1,785,973 | | |
| Credits for property retired | 96,441,199 | 6,477,054 | 87,948,478 | 2,666 | 20,787,841 | 20,662,870 | 24,007,766 | 107,184 |
| Adjustments | 2,488,162 | 1,000,000 | 2,981,264 | 544,489 | 629,136 | 2,160,979 | 1,976,548 | 85,801 |
| Net charges during year | 107,136,633 | 102,300,720 | 61,066,655 | 907,303 | 220,965,411 | 138,067,350 | 90,309,101 | 290,991 |
| | Class I steam railway companies | | | | | | | |
| | All districts | | | | Eastern district | | | |
| Expenditures for new lines and extensions | 39,360,491 | 19,327,716 | 1,064,134 | 44,661 | 797,306 | 794,360 | | 2,956 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 681,088,940 | 388,086,666 | 255,309,804 | 2,183,473 | 225,069,711 | 95,494,167 | 128,582,378 | 1,911,176 |
| Made on leased lines | 31,303,520 | 31,093,781 | 138,471 | 121,172 | 15,934,744 | 15,794,313 | 32,940 | 117,302 |
| Credits for property retired | 888,118,099 | 57,945,648 | 141,609,060 | 470,006 | 89,090,841 | 88,167,190 | 65,674,084 | 273,427 |
| Adjustments | 1,197,776 | 4,000,000 | 3,788,613 | 588,788 | 894,484 | 4,041,890 | 2,609,650 | 1,337,372 |
| Net charges during year | 384,287,079 | 279,350,254 | 219,109,629 | 2,047,198 | 152,611,084 | 82,760,373 | 67,449,984 | 2,195,677 |
| | southern district | | | | Western district | | | |
| Expenditures for new lines and extensions | 3,287,350 | 3,280,532 | | 6,718 | 16,161,937 | 14,482,944 | 1,654,134 | 24,859 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 165,302,939 | 95,090,290 | 86,088,442 | 697,109 | 250,616,232 | 109,420,150 | 140,720,754 | 475,328 |
| Made on leased lines | 3,778,211 | 3,649,980 | 125,731 | 3,500 | 1,785,571 | 1,785,571 | | |
| Credits for property retired | 96,016,848 | 6,447,000 | 87,473,473 | 2,666 | 20,067,840 | 24,549,132 | 20,643,788 | 108,863 |
| Adjustments | 2,704,189 | 1,000,000 | 2,988,621 | 544,084 | 1,804,000 | 3,367,109 | 1,597,000 | 24,000 |
| Net charges during year | 153,732,244 | 91,937,376 | 61,647,151 | 338,817 | 195,213,000 | 104,638,002 | 90,353,494 | 391,704 |
| | Nonoperating companies subsidiary to Class I steam railway companies | | | | | | | |
| | All districts | | | | Eastern district | | | |
| Expenditures for new lines and extensions | 27,021,143 | 26,679,697 | 200 | 341,446 | 4,935,351 | 4,914,762 | | 20,589 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 71,057,142 | 64,355,689 | 6,296,306 | 405,055 | 39,291,363 | 36,001,061 | 3,053,476 | 236,826 |
| Made on leased lines | 76,501 | 74,094 | 1,970 | | 19,101 | 17,262 | 1,839 | |
| Credits for property retired | 18,972,864 | 7,403,740 | 9,151,960 | 16,164 | 10,705,746 | 5,890,649 | 4,814,197 | 8,900 |
| Adjustments | 8,651,189 | 4,151,797 | 884,960 | 187,211 | 1,467,384 | 1,082,510 | 488,840 | 186,128 |
| Net charges during year | 78,827,671 | 81,153,343 | 7,180,574 | 302,951 | 31,741,469 | 34,431,142 | 2,437,748 | 148,380 |
| | southern district | | | | Western district | | | |
| Expenditures for new lines and extensions | 8,341,328 | 7,878,039 | 200 | 463,089 | 13,994,464 | 13,886,676 | | 7,788 |
| Expenditures for additions and betterments: | | | | | | | | |
| Made on owned lines | 3,110,387 | 3,001,031 | 24,341 | 84,725 | 28,155,490 | 22,953,007 | 3,209,361 | 3,502 |
| Made on leased lines | | | | | 57,402 | 57,402 | | |
| Credits for property retired | 804,451 | 180,549 | 574,902 | | 8,788,891 | 8,909,758 | 5,454,041 | 15,092 |
| Adjustments | 179,027 | 186,733 | 7,337 | 957 | 965,784 | 1,896,180 | 261,327 | 851 |
| Net charges during year | 13,434,391 | 13,335,444 | 558,498 | 447,445 | 33,411,611 | 33,408,757 | 5,057 | 8,814 |

16b(23)

STATEMENT No. 30-A.—SUMMARY OF RAILS LAID IN CONNECTION WITH REPLACEMENT AND BETTERMENT WORK—CLASS I STEAM RAILWAYS

| Item | All districts | Eastern district | Southern district | Western district |
|---|---|---|---|---|
| *Year ended Dec. 31, 1925* | | | | |
| **Rails laid:** | | | | |
| New rails— | | | | |
| Number of tons (2,000 lbs.) | 1,998,148 | 668,708 | 440,629 | 888,811 |
| Total charges | $37,126,923 | $13,264,663 | $8,222,910 | $15,639,350 |
| Secondhand rails— | | | | |
| Number of tons (2,000 lbs.) | 1,524,486 | 722,479 | 276,009 | 525,998 |
| Total charges | $20,381,917 | $10,110,060 | $4,434,040 | $5,837,817 |
| All rails— | | | | |
| Number of tons (2,000 lbs.) | 3,524,641 | 1,391,187 | 811,638 | 1,321,809 |
| Total charges | $57,508,839 | $23,374,723 | $12,656,750 | $21,477,167 |
| *Year ended Dec. 31, 1924* | | | | |
| **Rails laid:** | | | | |
| New rails— | | | | |
| Number of tons (2,000 lbs.) | 1,701,142 | 707,694 | 452,150 | 541,298 |
| Total charges | $28,716,142 | $11,705,656 | $7,222,317 | $9,788,169 |
| Secondhand rails— | | | | |
| Number of tons (2,000 lbs.) | 1,222,271 | 654,272 | 251,879 | 317,120 |
| Total charges | $15,222,742 | $9,222,222 | $3,642,430 | $4,358,090 |

| Item | All districts | Eastern district | Southern district | Western district |
|---|---|---|---|---|
| *Year ended Dec. 31, 1924—Continued* | | | | |
| **Rails laid—Continued** | | | | |
| All rails— | | | | |
| Number of tons (2,000 lbs.) | 2,923,413 | 1,361,966 | 704,029 | 1,057,418 |
| Total charges | $44,938,884 | $20,927,878 | $10,864,747 | $14,146,259 |
| *Year ended Dec. 31, 1923* | | | | |
| **Rails laid:** | | | | |
| New rails— | | | | |
| Number of tons (2,000 lbs.) | 1,738,888 | 816,884 | 377,489 | 545,515 |
| Total charges | $25,022,480 | $11,754,966 | $5,107,894 | $8,159,571 |
| Secondhand rails— | | | | |
| Number of tons (2,000 lbs.) | 1,488,270 | 626,241 | 253,010 | 611,025 |
| Total charges | $27,054,918 | $11,382,941 | $4,621,088 | $11,050,889 |
| All rails— | | | | |
| Number of tons (2,000 lbs.) | 3,220,972 | 1,442,966 | 630,599 | 1,156,421 |
| Total charges | $52,077,488 | $23,137,906 | $9,728,972 | $19,210,460 |

## FOR THE YEAR ENDED DECEMBER 31, 1925



STATEMENT No. 31.—TIES LAID IN PREVIOUSLY CONSTRUCTED TRACKS—CLASS I STEAM RAILWAYS

| Item | All districts | Eastern district | Southern district | Western district |
|---|---|---|---|---|
| *Year ended Dec. 31, 1925* | | | | |
| **Crossties:** | | | | |
| Untreated ties— | | | | |
| Total number | 22,423,496 | 6,391,882 | 12,099,578 | 14,332,915 |
| Total charges | $32,354,329 | $7,646,342 | $12,305,179 | $12,712,807 |
| Treated ties— | | | | |
| Total number | 38,040,998 | 17,167,474 | 5,864,835 | 25,577,287 |
| Total charges | $75,710,542 | $33,120,447 | $9,720,432 | $32,461,293 |
| Other than wood ties— | | | | |
| Total number | 1,222 | 1,122 | | 100 |
| Total charges | $11,575 | $10,122 | | $1,453 |
| All crossties— | | | | |
| Total number | 62,715,676 | 23,482,888 | 19,888,413 | 39,910,272 |
| Total charges | $107,986,446 | $40,977,311 | $22,025,611 | $45,095,523 |
| **Bridge and switch ties:** | | | | |
| Number of feet (board measure) | 292,439,488 | 104,297,012 | 66,921,392 | 110,921,214 |
| Total charges | $17,437,733 | $5,957,092 | $2,595,513 | $4,176,190 |
| *Year ended Dec. 31, 1924* | | | | |
| **Crossties:** | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 20,202,788 | 4,748,214 | 10,829,902 | 3,623,762 |
| Total charges | $22,462,504 | $5,481,949 | $10,499,193 | $5,480,965 |
| New softwood ties untreated— | | | | |
| Total number | 19,826,495 | 3,303,510 | 3,750,278 | 10,921,690 |
| Total charges | $18,225,452 | $4,496,961 | $1,107,554 | $8,620,782 |
| Treated ties— | | | | |
| Total number | 41,848,872 | 15,145,220 | 5,620,977 | 21,722,680 |
| Total charges | $59,230,598 | $20,696,666 | $6,096,702 | $32,121,927 |
| Secondhand wood ties— | | | | |
| Total number | 292,208 | 109,143 | 13,981 | 169,042 |
| Total charges | $138,962 | $70,734 | $5,696 | $70,530 |
| Other than wood ties— | | | | |
| Total number | 3,222 | 3,134 | | 88 |
| Total charges | $12,129 | $12,000 | | $129 |

| Item | All districts | Eastern district | Southern district | Western district |
|---|---|---|---|---|
| *Year ended Dec. 31, 1924—Continued* | | | | |
| **Crossties—Continued** | | | | |
| All crossties— | | | | |
| Total number | 82,671,999 | 23,360,423 | 19,513,038 | 40,218,088 |
| Total charges | $110,330,748 | $40,309,557 | $22,912,177 | $47,088,066 |
| **Bridge and switch ties:** | | | | |
| Number of feet (board measure) | 291,248,388 | 108,884,086 | 78,994,000 | 111,369,013 |
| Total charges | $13,078,149 | $5,009,135 | $2,921,091 | $4,388,888 |
| *Year ended Dec. 31, 1923* | | | | |
| **Crossties:** | | | | |
| New hardwood ties untreated— | | | | |
| Total number | 23,087,273 | 5,965,192 | 11,438,289 | 4,688,788 |
| Total charges | $25,047,571 | $7,490,070 | $11,044,186 | $5,084,304 |
| New softwood ties untreated— | | | | |
| Total number | 19,494,997 | 4,083,078 | 4,382,913 | 10,618,870 |
| Total charges | $19,353,040 | $5,005,080 | $4,270,004 | $9,227,388 |
| Treated ties— | | | | |
| Total number | 41,855,016 | 14,895,267 | 4,308,701 | 22,363,088 |
| Total charges | $62,190,119 | $20,041,083 | $5,552,838 | $36,388,289 |
| Secondhand wood ties— | | | | |
| Total number | 298,227 | 122,477 | 23,705 | 114,084 |
| Total charges | $133,430 | $77,616 | $7,826 | $48,088 |
| Other than wood ties— | | | | |
| Total number | 447,002 | 3,825 | 723 | 442,454 |
| Total charges | $273,940 | $11,458 | $1,213 | $261,274 |
| All crossties— | | | | |
| Total number | 84,434,915 | 24,470,287 | 20,272,512 | 39,692,176 |
| Total charges | $105,999,180 | $41,435,308 | $21,726,709 | $43,747,140 |
| **Bridge and switch ties:** | | | | |
| Number of feet (board measure) | 277,415,107 | 108,479,826 | 72,288,729 | 105,167,552 |
| Total charges | $11,484,097 | $5,041,434 | $2,496,766 | $3,488,896 |

[1] Does not include data for 1,435 linear feet of steel ties. [2] Does not include data for 6,[illegible] linear feet of steel ties. [3] Does not include data for 20,000 linear feet of steel ties.

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| | |
|---|---|
| 1908 | 90.1 |
| 1909 | 96.9 |
| 1910 | 100.9 |
| 1911 | 93.0 |
| 1912 | 99.1 |
| 1913 | 100. |
| 1914 | 98.1 |
| 1915 | 100.8 |
| 1916 | 126.8 |
| 1917 | 177.2 |
| 1918 | 194.3 |
| 1919 | 206.4 |
| 1920 | 226.2 |
| 1921 | 146.9 |
| 1922 | 148.8 |
| 1923 | 153.7 |
| 1924 | 149.7 |
| 1925 | 158.7 |
| 1926 | 151. |

The index numbers showing the changes in cost of living in the United States from August 1913, to December 1926, are given as follows:

| | |
|---|---|
| August, 1913 | 100. |
| December, 1914 | 103. |
| December, 1915 | 105.1 |
| December, 1916 | 118.3 |
| December, 1917 | 142.4 |
| December, 1918 | 174.4 |
| June, 1919 | 177.3 |
| December, 1919 | 199.3 |
| June, 1920 | 216.5 |
| December, 1920 | 200.4 |
| May, 1921 | 180.4 |
| September, 1921 | 177.3 |
| December, 1921 | 174.3 |
| March, 1922 | 166.9 |
| June, 1922 | 166.6 |
| September, 1922 | 166.3 |
| December, 1922 | 169.5 |
| March, 1923 | 168.8 |

| | |
|---|---|
| June, 1923 | 169.7 |
| September, 1923 | 172.1 |
| December, 1923 | 173.2 |
| March, 1924 | 170.4 |
| June, 1924 | 169.1 |
| September, 1924 | 170.6 |
| December, 1924 | 172.5 |
| June, 1925 | 173.5 |
| December, 1925 | 177.9 |
| June, 1926 | 174.8 |
| December, 1926 | 175.6 |

[fol. 19] OFFERS IN EVIDENCE

Petitioners thereupon offered in evidence by reference certain excerpts from the Annual Reports of the Interstate Commerce Commission to Congress covering the years 1920 to 1926 inclusive, to which offer solicitors for the defendants objected, which objection was sustained, to which action of the court, solicitors for petitioners duly excepted at the time and their said exception was allowed. The excerpts from the Annual Reports of the Interstate Commerce Commission so offered and excluded were identified as follows:

"Thirty-fourth annual report of the Interstate Commerce Commission, 1920:

"1. Chapter headed "Bureau of Valuation," pages 69-70.

"Thirty-fifth annual report of Interstate Commerce Commission, 1921:

"1. Chapter headed 'Certificate of Public Convenience and Necessity,' pages 17 and 18, down to and including list of cases headed 'Construction.'

"2. Chapter headed 'Bureau of Valuation,' pages 55-56.

"3. Table IV, Appendix C, statistical summaries, page 83, being 'Reported property investment and railway operating income, 1908-1920; steam roads, excluding switching and terminal companies.'

"4. Table VIII, page 84, being 'Operating revenues and operating expenses, 1908-1920.'

"5. Table A, page 87, headed 'Net Railway Operating Income,' particularly that part thereof shown for the year 1920.

"Thirty-sixth annual report of the Interstate Commerce Commission, 1922:

"1. Chapter headed 'Certificates of Public Convenience and Necessity,' pages 28-29.

"2. Chapter headed 'Bureau of Valuation, pages 70 and 71,' down to subheading reading 'Uses for Valuation Data.'

"3. Table IV, statistical summaries, page 99, headed 'Reported property investment and certain income items, 1908-1921; Operating steam roads, excluding switching and terminal companies.'

[fol. 20] "4. Table VIII, statistical summaries, page 102, headed 'Operating revenues, operating expenses, and taxes, 1908-1921.'

"5. Appendix C, table headed 'Certificates of Convenience and Necessity for Construction, issued under paragraphs (18) to (22) of section 1 of the Interstate Commerce Act,' page 219.

"Thirty-seventh annual report of the Interstate Commerce Commission, 1923:

"1. Chapter headed 'Bureau of Valuation,' pages 12 to 19.

"2. Chapter headed, 'Certificates of Public Convenience and Necessity,' page 19.

"3. Table IV, statistical summaries, page 97, headed, 'Reported property investment and certain income items, 1908-1922; operating steam roads, excluding switching and terminal companies.'

"4. Table VIII, statistical summaries, page 100, headed, 'Operating revenues, operating expenses and taxes, 1908-1922.'

"5. Appendix G, table headed, 'Certificates of Convenience and Necessity for construction issued under paragraphs (18) to (22) of Section 1 of the Interstate Commerce Act,' page 237.

"Thirty-eighth annual report of the Interstate Commerce Commission, 1924:

"1. Chapter headed 'Bureau of Valuation,' pages 13-14, down to and including table in the middle of page 14.

"2. Chapter headed, 'Certificates of Public Convenience and Necessity,' pages 17-18.

"3. Table IV, statistical summaries, 'Reported property investment and certain income items, 1908-1923; Operating steam roads, excluding switching and terminal companies,' page 105.

"4. Table VIII, statistical summaries, 'Operating revenues, operating expenses and taxes, 1908-1923.' page 108.

"5. Appendix G, table headed, 'Certificates of Convenience and Necessity for construction issued under paragraphs (18) to (22) of section 1 of the Interstate Commerce Act,' page 253.

"Thirty-ninth annual report of the Interstate Commerce Commission, 1925:

[fol. 21] "1. So much of chapter headed 'Bureau of Valuation' as appears on pages 15 and 16.

"2. Chapter headed, 'Certificates of Public Convenience and Necessity,' pages 18-19.

"3. Table V, statistical summaries, 'Reported property investment and certain income items, 1908-1924; Operating steam railways excluding switching and terminal companies,' page 99.

"4. Table VI, statistical summaries, 'Operating revenues, operating expenses and taxes, 1908-1924,' page 102.

"5. Appendix F, 'Certificates of Convenience and Necessity for Construction issued under paragraphs (18) to (22) of Section 1 of the Interstate Commerce Act, page 263.

"Fortieth annual report of the Interstate Commerce Commission, 1926:

"1. Under chapter headed, 'Bureau of Valuation,' all of page 13 and all of page 14 to and including subdivision headed 'Earnings and Reports.'

"2. Chapter headed, 'Certificates of Public Convenience and Necessity,' page 17.

"3. Table V, statistical summaries, 'Reported property investment and certain income items, 1908-1925: Operating steam railways excluding switching and terminal companies, page 107.

"4. Table VI, statistical summaries, 'Operating revenues, operating expenses, and taxes, 1908-1925,' page 107.

"5. Appendix F, table headed, 'Certificates of Convenience and Necessity for construction issued under paragraphs (18) to (22) of Section 1 of the Interstate Commerce Act,' page 285."

Petitioners then offered in evidence certified copies of certain orders of the Interstate Commerce Commission governing the making of applications by carriers for certificates of public convenience and necessity under paragraphs (18) to (21), inclusive, of Section 1 of the Interstate Commerce Act as amended by the Transportation Act of 1920, which orders were marked for identification Petitioners' Exhibits Nos. 12, 13 and 14. Said documents [fol. 22] marked for identification, Petitioners' Exhibits Nos. 12, 13 and 14, were offered to contradict the Commission's statements in its report in the O'Fallon case to the effect that there was "a dearth of data" from which construction costs during the post-war period could be ascertained. Said offers of said documents marked Exhibits Nos. 12, 13 and 14, were severally objected to by solicitors for the defendants as not pertinent, material or relevant, which objection was sustained and to which ruling of the court solicitors for petitioners duly saved an exception, which exception was allowed by the court.

Statements re Petitioners' Exhibits 12 to 14, Inc.

The documents marked for identification, Petitioners' Exhibit No. 12, was a certified copy of an order of the

Commission, dated June 24, 1920, consisting of twenty-three pages prescribing the manner and method of making application for a certificate of public convenience and necessity under paragraphs (18) to (21), inclusive, of Section 1 of the Interstate Commerce Act, as amended by the Transportation Act of 1920. It is therein required that a carrier, desiring to build new lines or extensions, must report the following:

"(34) The estimated total cost of the proposed new line or extension, stated separately for each primary account in the Commission's Classification of the Investment in Road and Equipment, issue as of 1914."

The document marked for identification, Petitioners' Exhibit No. 13, consisting of twelve sheets, was a certified copy of an order of the Commission, dated July 8, 1921, prescribing the manner of making application to the Interstate Commerce Comission for a certificate of public con- [fol. 23] venience and necessity under paragraphs (18) to (21), inclusive, of Section 1 of the Interstate Commerce Act, as amended by the Transportation Act of 1920. It is therein provided that each carrier desiring to secure such certificate must make and file:

"E. (1) A detailed estimate of the cost of building the proposed new line of railroad, with all the necessary appurtenances (except equipment), classified by Interstate Commerce Commission primary accounts, also a concise detail of estimated quantities and prices covering what is set down under accounts 3 to 12, inclusive. Details may be required for other principal accounts.

"(2) Detailed estimates of the kind and cost (or rental cost) of the equipment required to handle the estimated traffic separately for the first and fifth years of complete operation. State whether the equipment is to be bought or rented; show second-hand equipment as such; give number of units, class of service, and general type with the weight and tractive power of locomotives and capacity of freight cars."

The document marked for identification, Petitioners' Exhibit No. 14, consisting of 17 sheets, was an order of the

Interstate Commerce Commission entered January 22, 1924, and certified to be in effect on September 28, 1927, prescribing the manner and method of making application for a certificate of public convenience and necessity under paragraphs (18) to (21), inclusive, of Section 1 of the Interstate Commerce Act, as amended by the Transportation Act of 1920. It is there required that data, exhibits and estimates be prepared identical with the data, exhibits and estimates required in the above quotation from Petitioners' Exhibit No. 13.

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[fol. 23a] OFFERS IN EVIDENCE

The reports of the Interstate Commerce Commission in Increased Rates, 1920, 58 I. C. C. 220, and in Reduced Rates, 1922, 68 I. C. C. 676, were introduced in evidence and made part of the record by reference for all purposes.

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[fol. 24] A. E. WRIGHT, called on behalf of Petitioners, and duly sworn, testified as follows:

Direct:

I am assistant to the President of the O'Fallon Railway. In performing the duties of that office, all of the business transactions of the road, and all of the correspondence relating to its business, come either within my personal attention or personal supervision. If any demand had been made by the Interstate Commerce Commission on the O'Fallon Railway for the payment of the amounts set out in the report of the Commission as subject to recapture, I would know in the course of my duties, that such a demand had been made. No such demand was made.

Cross:

I mean no demand has been made to the present time, except the entry of the order itself which was served on our counsel authorized to receive such service. I have had personal knowledge of the contents of the order and of the fact that it was served, since the service was had.

STATEMENT RE PETITIONERS' EXHIBIT 15

Thereupon Petitioners offered document marked "Petitioners' Exhibit No. 15," being a certified copy of the records of the Commission showing list containing names of parties to whom copies of the Commission's report and order in the O'Fallon case were mailed, and list containing names of parties on whom service was made of the same report.

This exhibit shows that a copy of the Commission's report entered February 15, 1927, in respect of excess income of the O'Fallon, and excess income of the Manufacturers, [fol. 25] was sent by regular mail on March 31, 1927, to various persons including Messrs. Clark & La Roe, Transportation Building, Washington, D. C., who were counsel for the Petitioners in said proceedings before the Commission. The exhibit also shows that service of a copy of said report and order of the Commission was had on the "St. Louis and O'Fallon Railway Company, Traffic Service Bureau," and on the "Manufacturers Railway Company, Traffic Service Bureau," by leaving said copies in the door of Room 503 of the office of the designated agent of said carriers, on March 31, 1927.

Said exhibit was received in evidence as Petitioners' Exhibit No. 15.

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J. E. MONROE, called as a witness on behalf of the Petitioners and duly sworn, testified:

Direct:

I am a statistician in the Bureau of Railway Economics in Washington, D. C., which is an organization maintained by the railways of the United States for the scientific study of transportation problems. I have been the statistician of the Bureau for nearly fourteen years. I have prepared the exhibit purporting to show the tentative value placed on the roads in the Eastern Group by the Interstate Commerce Commission in Increased Rates, 1920; the subsequent additions, betterments or capital changes; the net railway operating income, and certain other statistical data taken either from the reports or files of the Interstate

Commerce Commission. This document was marked Petitioners' Exhibit No. 16.

The railroads covered by this exhibit are embraced by [fol. 26] the boundaries in the Eastern district as defined by the Commission in its opinion in "Increased Rates, 1920."

The St. Louis and O'Fallon is classified in the Eastern Group. The figure of $8,800,000,000 shown on Sheet 1 of Exhibit No. 16 represents the value determined by the Interstate Commerce Commission in Increased Rates, 1920, dated July 29, 1920, for all carriers of the Eastern Group lying within the confines of the territory so defined. Items 2 and 3 on sheet 1 show a tentative valuation of $8,800,000,000 brought up to date through the net additions in investment in property. On Sheet 2 you will note the investment at the end of each year and for each year, from 1920 to 1923, inclusive, for each class of carriers in the Eastern Group. The upper part of the statement shows the investment in road and equipment, and the lower half of Sheet 2 shows investment in road and equipment including working capital less accrued depreciation. Item 2 on Sheet 1 shows the addition to the original value found by the Commission of the net increases in investment in road and equipment shown in detail on Sheet 2. By Item 3 there has been added the net increases in investment, giving consideration to working capital less depreciation. None of these figures include any net additions to investment in road and equipment or to the investment including working capital less depreciation made during the year 1920. All figures start with the first of January, 1921.

Except so far as the Illinois Central lines north of Cairo are concerned, the net increases in the net investment account, and in the investment road and equipment, materials [fol. 27] and supplies less depreciation, as shown on Sheet 2, include the net additions for all railroads lying within the boundaries of the Eastern Group as defined by the Commission in Increased Rates, 1920. No account was taken of any increase in investment made by the Illinois Central for its lines north of the Ohio River since their reports did not segregate any capital expense as between north and south of the Ohio River. The Illinois Central is located in more than one group and it was excluded from the invest-

ment figures because we were unable to allocate the changes among the several groups in which it was located.

Item 4 on Sheet 1 represents the net railway operating income for the carriers of the Eastern Group excluding the Illinois Illinois Central Railroad as shown in the detail on Sheet 3 of the exhibit. This includes the net railway operating income of all carriers located within the group except that part of the Illinois Central within the group. Item 7 on Sheet 1 represents the net railway operating income for all carriers of the Eastern Group including the entire net earnings of the Illinois Central Lines north and south of the Ohio River.

The exhibit itself shows the source of these figures and the data contained therein was checked by the Bureau of Statistics of the Interstate Commerce Commission with their records. The Bureau of Statistics advised me that the supporting detail and figures contained in the exhibit were statistically accurate. The Bureau of Statistics made some slight changes in some of the basic items shown on sheet 3, as originally submitted by me, to bring those items in accordance with their records. These changes were included in my present Sheet 3. The entire exhibit was submitted to the Bureau of Statistics for checking and verification and all changes requested by them were made.

Sheet 5 shows for the carriers of the Eastern Group, [fol. 28] similar information as that noted on Sheet 1 for the calendar year 1920. Items 2 and 4 of Sheet 5 were ascertained in the same way as Items 2 and 3 on Sheet 1.

After giving consideration to the net increased investment for the calendar year 1920, we have averaged the value thus determined for the respective years 1921, 1922 and 1923 by averaging the value determined for the beginning and ending of each year. The rest of the exhibit is in similar form to Sheet 1. Sheet 4 is part of the supporting detail for Sheet 5. The figures on Sheet 4 were submitted to the Bureau of Statistics and they advised me that they were correct.

Cross:

The Bureau of Statistics advised me that the aggregate figures shown on this exhibit were mathematically correct in accordance with their records as they had determined

them. As I understand it, the Commission compiled the information from the reports of the various railroads made to it under oath. I think but do not know that the Commission gives them a thorough check each year. The figures taken are based on reports made by the railroad companies, that they have spent during a certain year a certain amount of money as capital expenditure.

I do not know whether any check is made by the Interstate Commerce Commission to determine whether expenditures reported by the carriers are for property which is a part of the property used and useful for transportation purposes.

I did not look into the accounting with reference to depreciation at all. The figures set up on Sheet 1 take into account depreciation reserves set up on the books of the carriers. I do not know what these depreciation allowances were that are set out on the books of the carriers, [fol. 28a] nor do I know on what basis the depreciation was figured. It was figured principally upon equipment [fol. 29] and, in some instances, on structures. I know some railroads, particularly the Norfolk & Western—an Eastern Group carrier—computes depreciation on structures. I don't know that it is the exception for these carriers in the reports made to the Commission to figure depreciation on structures. I cannot give you any accurate or reliable information as to what class of property this depreciation was figured upon.

In setting up working capital I took the balance in Materials and Supplies and Cash at the beginning of the year and compared it with the amount on their books at the end of the year. The working capital is increased or decreased in those amounts. This amount covers what the Commission requires the carrier to report in their Cash Account 708.

It is true that the carriers report as working capital the total amount of supplies and materials of all kinds on hand and the total amount of cash in the bank whether held in reserve or to be used and distributed by way of dividends or otherwise. I do not know whether it includes all of the cash, all sorts and descriptions, held by the company for any and all purposes. I do not know whether it

includes money or materials on hand to be used on non-carrier property. I took from the Commission's records the Investment that they reported for the carriers of the Eastern Group as of the beginning of the year and the figures reported for the investment of the carriers of the Eastern Group for the end of the year. The Commission requires that the carriers report on their oath. There was nothing in these statistics to indicate when these expenditures were made, whether at the beginning or end of the year, or in the middle of the year.

I do not know whether the reports of the carriers, with respect to income, from any of these statistics have ever been checked by anybody after the report has been made by [fol. 29a] the carrier to the Commission.

I am not able to tell—either on the Income side or Investment side—what the figures are for the O'Fallon that [fol. 30] are included in this exhibit. I am informed that the figures were a correct compilation from the records of the Commission which set forth the amounts reported by the carriers.

I never made any comparison between the depreciation on the books of the carriers and the physical depreciation reported in the engineering reports for the same carriers by the Bureau of Valuation. It is correct that the compilation which I stated the Commission told me was correct is merely the records which the Carriers report to the Commission.

Redirect:

The first three sheets of my exhibit were submitted to the Interstate Commerce Commission by Mr. Hensel on or about September 23rd.

The Commission has a force of Inspectors in the field examining the accounts of the carriers from time to time and I understand that the accounts of the carriers, including such accounts as are contained in the totals of my exhibit, are examined and checked from time to time by the Commission's inspectiors in the field.

(A motion was made by the solicitors for Commission and the United States to strike out the above statement made by the witness on the ground that such testimony did

not prove accurate figures. The motion to strike was overruled and an exception taken by the Commission.)

I know that from time to time corrections are made on the books and accounts of the carriers to correspond to the objections that are taken thereto by the field inspectors of the Commission in the course of their work.

Petitioner's Exhibit No. 16 was then offered in evidence and objection thereto was made upon the grounds that it is not competent, material or relevant and will merely mislead the court if any deductions are attempted to be drawn therefrom. This objection was overruled and the exhibit was received in evidence and is as follows:

[fol. 31]

(Petitioners' Exhibit 16, Sheet 1)

"Rate of Return on Valuation"

All Steam Roads of the Eastern Group

| | Item | 1921 | 1922 | 1923 |
|---|---|---|---|---|
| 1 | "Valuation" 58 ICC 229—$8,800,000,000 | | | |
| 2 | Plus net increase in invest. in road and equipment | $9,063,281,000 | $9,220,884,000 | $9,630,850,000 |
| 3 | Plus net increase in invest. including working capital less depreciation | 8,948,341,000 | 8,999,716,000 | 9,418,395,000 |
| 4 | Net railway operating income (excluding Illinois Central R. R.) | 277,396,752 | 353,719,752 | 487,697,551 |
| 5 | Rate of return on item 2—per cent | 3.06 | 3.84 | 5.06 |
| 6 | Rate of return on item 3—per cent | 3.10 | 3.93 | 5.18 |
| 7 | Net railway operating income (including Illinois Central R. R.) | 301,793,520 | 378,840,880 | 510,603,797 |
| 8 | Rate of return on item 2—per cent | 3.33 | 4.11 | 5.30 |
| 9 | Rate of return on item 3—per cent | 3.37 | 4.21 | 5.42 |

NOTE—See attached sheets for source of information.

September 28 1927

Petitioners' E

*Operati

All Steam Roads of the U

| Year and Item | Class I roads | Pocah roads |
|---|---|---|
| Calendar Year 1921: | | |
| Railway operating revenues | $2,460,790,651 | $192,4 |
| Railway operating expenses | 2,082,583,902 | 150,8 |
| Net operating revenue | 378,206,749 | 41,6 |
| Railway tax accruals | 110,532,414 | 8,6 |
| Uncollectible railway revenues | 568,725 | |
| Railway operating income | 267,105,610 | 32,6 |
| Equipment and jt. facility—net rentals | Dr. 37,009,726 Cr. | 1,8 |
| Net railway operating income | 230,095,884 | 34,5 |
| Calendar Year 1922: | | |
| Railway operating revenues | 2,516,678,532 | 203,8 |
| Railway operating expenses | 2,059,858,442 | 153,7 |
| Net operating revenue | 456,820,080 | 50,0 |
| Railway tax accruals | 115,661,871 | 11,4 |
| Uncollectible railway revenues | 549,417 | |
| Railway operating income | 340,608,792 | 38,5 |
| Equipment and jt. facility—net rentals | Dr. 48,756,107 Cr. | 2,3 |
| Net Railway operating income | 291,852,685 | 40,9 |
| Calendar Year 1923: | | |
| Railway operating revenues | 2,942,418,971 | 229,8 |
| Railway operating expenses | 2,330,521,041 | 173,0 |
| Net operating revenue | 611,897,930 | 56,8 |
| Railway tax accruals | 135,256,501 | 12,7 |
| Uncollectible railway revenues | 770,935 | |
| Railway operating income | 475,870,494 | 43,9 |
| Equipment and jt. facility—net rentals | Dr. 58,320,836 Cr. | 3,7 |
| Net railway operating income | 417,549,658 | 47,6 |

* "Pocahontas roads" include Chesapeake & Ohio, Norfolk & Western, Richmond, Freder

ource: Statistics of Railways in the United States, I. C. C. years, 1921, 1922 and 1923. Items m

Petitioners' Exhibit 16, Sheet 3

*Operating Income

All Steam Roads of the Eastern Group—1921 to 1923

| | Class I roads | Pocahontas roads * | Class II roads | Class III roads | Switching and terminal companies | Total all roads | Illinois Central R. R.—entire line |
|---|---|---|---|---|---|---|---|
| | $2,460,790 651 | $192,474,979 | $35,745,873 | $4,109,724 | $51,779,025 | $2,744,900,252 | $141,127,066 |
| | 2,082,583,902 | 150,873,981 | 33,696,977 | 4,361,958 | 40,988,080 | 2,312,504,989 | 109,997,791 |
| | 378,206,749 | 41,600,998 | 2,048,896 Def. | 252,234 | 10,790,945 | 432,395,354 | 31,129,275 |
| | 110,532,414 | 8,656,901 | 2,256,867 | 177,053 | 4,890,993 | 128,714,228 | 8,119,036 |
| | 568,725 | 49,637 | 10,843 | 2,640 | 38,753 | 870,598 | 24,319 |
| | 267,105,610 | 32,604,460 Def. | 218,814 Def. | 431,927 | 861,199 | 302,810,528 | 22,985,920 |
| Dr. | 37,009,726 Cr. | 1,831,172 Cr. | 637,071 Dr. | 193,790 Cr. | 7,121,497 Dr. | 27,813,776 | 1,410,848 |
| | 230,095,884 | 34,525,632 | * 418,257 *Def. | 625,717 | *12,982,696 | 274,996,752 | 24,396,768 |
| | 2,516,678,532 | 203,811,559 | 32,949,149 | 4,137,117 | 59,062,031 | 2,816,659,378 | 154,860,387 |
| | 2,059,858,442 | 153,769,527 | 28,461,217 | 4,249,124 | 42,579,486 | 2,288,917,795 | 119,129,269 |
| | 456,820,090 | 50,042,032 | 4,487,932 Def. | 92,007 | 16,483,545 | 527,741,582 | 35,731,118 |
| | 115,661,871 | 11,462,608 | 2,118,149 | 187,106 | 5,617,767 | 135,047,501 | 11,208,967 |
| | 549,417 | 20,218 | 9,997 | 4,622 | 3,518 | 587,772 | 15,413 |
| | 340,608,792 | 38,559,206 | 2,359,786 Def. | 283,735 | 10,862,260 | 302,106,309 | 24,506,738 |
| Dr. | 48,756,107 Cr. | 2,396,431 Cr. | 40,580 Dr. | 231,533 Cr. | 8,165,042 Dr. | 38,386,557 Cr. | 614,390 |
| | 291,852,685 | 40,955,667 | *2,400,366 *Def. | 516,288 | *19,027,302 | 353,719,752 | 25,121,128 |
| | 2,942,418,971 | 229,876,646 | 37,659,381 | 5,100,452 | 70,157,604 | 3,285,213,054 | 165,626,982 |
| | 2,330,521,041 | 173,061,772 | 30,996,112 | 4,823,994 | 52,533,223 | 2,591,936,142 | 132,429,231 |
| | 611,897,930 | 56,814,874 | 6,663,269 | 278,458 | 17,624,381 | 693,276,912 | 33,197,761 |
| | 135,256,501 | 12,768,901 | 2,344,813 | 204,625 | 5,661,711 | 156,136,551 | 9,672,915 |
| | 770,935 | 87,372 | 22,105 | 413 Cr. | 3,593 | 857,232 | 24,053 |
| | 475,870,494 | 43,978,601 | 4,306,351 | 71,420 | 11,966,263 | 536,283,129 | 23,500,782 |
| Dr. | 58,320,836 Cr. | 3,717,857 Cr. | 390,667 Dr. | 304,751 Cr. | 5,931,485 Dr. | 48,585,578 Dr. | 594,537 |
| | 417,549,658 | 47,696,458 | 4,787,018 Def. | 233,331 | 17,897,748 | 487,679,551 | 22,906,246 |

& Ohio, Norfolk & Western, Richmond, Fredericksburg & Potomac, and Virginian.
s, I. C. C. years, 1921, 1922 and 1923. Items marked thus (*) furnished by Bureau of Statistics of the I. C. C.

September 28, 1927."

[fol. 32]

(Petitioners' Exhibit 16, Sheet 2)

"Investment"

All Steam Roads of the Eastern Group

| Item and Class of road | 1920 | 1921 | 1922 | 1923 |
|---|---|---|---|---|
| Investment in Road & Equipment: | | | | |
| Class I roads, incl. lessor | $7,790,352,420 | $8,044,427,290 | $8,196,097,961 | $8,569,162,362 |
| Class II roads, incl. lessor | 222,904,521 | 198,553,753 | 185,192,205 | 184,422,858 |
| Class III roads, incl. lessor | 24,122,990 | 23,840,021 | 24,134,876 | 24,507,351 |
| Switching & Terminal, incl. lessor | 294,782,079 | 297,412,569 | 295,725,126 | 302,428,376 |
| Total | $8,332,162,010 | $8,564,233,633 | $8,701,150,168 | $9,080,520,947 |
| Pocahontas roads | 724,273,215 | 755,482,394 | 776,169,174 | 806,764,353 |
| Grand total | $9,056,435,225 | $9,319,716,027 | $9,477,319,342 | $9,887,285,300 |
| Net increase | | 263,280,802 | 157,603,315 | 409,965,958 |
| Investment in Road & Equipment, Materials & Supplies, and Cash, Less Accrued Depreciation: | | | | |
| Class I roads, incl. lessor | $7,848,726,208 | $7,997,294,995 | $8,052,779,633 | $8,430,445,612 |
| Class II roads, incl. lessor | 221,412,628 | 195,279,666 | 183,132,407 | 181,500,233 |
| Class III roads, incl. lessor | 24,083,871 | 23,741,453 | 23,993,971 | 24,211,690 |
| Switching & Terminal, incl. lessor | 298,719,593 | 299,638,699 | 298,750,019 | 303,939,211 |
| Total | $8,392,942,300 | $8,515,954,813 | $8,558,656,029 | $8,940,096,746 |
| Pocahontas roads | 720,845,883 | 746,174,510 | 754,848,290 | 792,086,078 |
| Grand Total | $9,113,788,183 | $9,262,129,323 | $9,313,504,319 | $9,732,182,824 |
| Net increase | | 148,341,140 | 51,374,996 | 418,678,505 |

SOURCE: Investment figures, except for Pocahontas roads, from I. C. C. Bureau of Statistics Statement No. 26127. Pocahontas road investment from annual reports of carriers to I. C. C.

September 28, 1927.

(Here follows sheet 3 of Exhibit 16, marked side folio page 33)

[fol. 34] Petitioners' Exhibit 16, Sheet 4

Investment

All Steam Roads of the Eastern Group

December 31, 1919.

| | | |
|---|---|---|
| Investment in Road & Equipment: | | |
| 58 I. C. C. 228 | $9,038,194,615 | |
| Illinois Central Lines North of Cairo* | 222,693,434 | |
| | | $8,815,501,181 |
| Investment in Road & Equipment, Materials and Supplies and Cash, Less Accrued Depreciation: | | |
| (I. C. C. Bureau of Statistics Statement #2,511:) | | |
| Class I roads, including lessor | | $7,675,142,174 |
| Class II roads, including lessor | | 181,388,338 |
| Class III roads, including lessor | | 22,525,182 |
| Switching & terminal, including lessor | | 240,767,933 |
| Total | | $8,119,823,627 |
| Pocahontas roads (I. C. C. Statis. of Rys. 1919) | | 688,456,853 |
| Grand total | | $8,808,280,480 |

*From work sheets of carriers' exhibits utilized in Ex Parte 74.

[fol. 35]

(Petitioners' Exhibit 16, Sheet 5)

Rate of Return on "Valuation"

All Steam Roads of the Eastern Group

| | Item | 1920 | 1921 | 1922 | 1923 |
|---|---|---|---|---|---|
| 1 | "Valuation" 58 I. C. C. 229—$8,800,000,000— | | | | |
| 2 | Plus net increase in invest. in road & equipment | $9,040,934,000 | $9,304,215,000 | $9,461,818,000 | $9,871,784,000 |
| 3 | Average for year | | 9,172,574,000 | 9,383,017,000 | 9,666,801,000 |
| 4 | Plus net increase in invest. including working capital less depreciation | 9,105,508,000 | 9,253,849,000 | 9,305,224,000 | 9,723,903,000 |
| 5 | Average for year | | 9,179,678,000 | 9,279,536,000 | 9,514,563,000 |
| 6 | Net railway operating income (excluding Ill. Central R. R.) | | 277,396,752 | 353,719,732 | 487,697,551 |
| 7 | Rate of return on item 3—per cent | | 3.02 | 3.77 | 5.05 |
| 8 | Rate of return on item 5—per cent | | 3.02 | 3.81 | 5.13 |
| 9 | Net railway operating income (including Ill. Central R. R.) | | 301,793,520 | 378,840,680 | 510,603,797 |
| 10 | Rate of return on item 3—per cent | | 3.29 | 4.04 | 5.28 |
| 11 | Rate of return on item 5—per cent | | 3.29 | 4.08 | 5.37 |

September 28, 1927.

[fol. 36] Mr. H. S. Hensel, a witness called on behalf of the Petitioners, duly sworn, testified:

Direct:

I am an attorney-at-law, residing in Brooklyn, New York, and am associated with Cravath, Henderson and de Gerzdorff, a firm of attorneys at 52 William Street, New York City. I have seen the first three sheets of Exhibit 16 before, as they are the three sheets given to me by Mr. Monroe and which I took to Mr. Sweet, the Assistant Solicitor of the Bureau of Valuation. I gave these three sheets to him and asked him if he would have them checked by the Bureau of Statistics and indicate any changes on these sheets which were requested by that Bureau. I do not remember the exact date but it was around September 23rd. I went back to see Mr. Sweet about two days later and asked him if he had had these sheets checked and whether or not he could report that they were correct. He showed me the sheets and no changes had been made on Sheets 1 and 2, but a number of pencil changes had been made on Sheet 3 as it then existed. Mr. Sweet stated to me that if the changes were made, the Bureau of Statistics had reported to him that the figures shown on this exhibit were correct.

I took sheet 3 back to Mr. Monroe and asked him to make the changes as marked by the Bureau of Statistics in pencil. Mr. Sweet to whom I refer is present in the courtroom as one of the counsel for the Commission.

(Witness excused.)

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J. E. Monroe was recalled to the stand and testified as follows:

Direct:

[fol. 37] The changes which I said were made on Sheet 3 of Exhibit No. 16 were the changes that were shown in pencil on the exhibit in its original form when returned to me by Mr. Hensel.

(Witness excused.)

PETITIONERS' OFFER OF PROOF

The following formal offer of proof was made by Petitioners:

"May it please the Court, we make the following formal offers of proof upon the respective subjects to be stated, indicating in each instance the purpose of the offer and its relation to the issues in this case:

1. Upon the subject of single system operation, the purpose of our additional offer has relation to two points:

First, the purpose for which the O'Fallon was acquired by the so-called Busch interest—shown by the record before the Commission to be the estate and family of Adolphus Busch, deceased; and, Second, that the conclusion of the Commission that these two carriers were not operated as a single system seems to have been based, in a large part, on the fact found by the Commission that there was no physical connection between the rails of the two carriers.

On this second point we desire to offer additional evidence to be stated, the purpose of our offer on each of these two points being supplemental to the evidence introduced before the Commission.

2. In relation to the purpose for which the O'Fallon was acquired, we offer to prove that when Adolphus Busch acquired the capital stock of the St. Louis and O'Fallon Railway Company, the Manufacturers Railway, of which he then owned more than 99 per cent of stock, was under a [fol. 38] contract with the City of St. Louis expressed by an ordinance franchise granted by the City of St. Louis to the Manufacturers Railway Company, duly accepted by it, by the terms of which the Manufacturers Railway Company was granted a franchise right to build, maintain and operate extensive railway tracks over additional streets and alleys in the City of St. Louis for the purpose of developing these facilities into a terminal and transfer railway, to serve shippers generally in South St. Louis. This ordinance contract also obligated the Manufacturers Railway to construct inclines on the west and east banks of the Mississippi River between St. Louis and East St. Louis, to provide and operate a car ferry to operate between said inclines for the purpose of transporting freight across the

Mississippi between St. Louis and East St. Louis, and also obligated the Manufacturers to acquire and operate in East St. Louis a belt line at least seven miles long.

We offer an authenticated copy of the City Ordinance above mentioned, No. 21,573 approved October 7, 1904, and No. 22,025 approved April 8, 1905.

We offer to show that a substantial part of the purpose of Adolphus Busch as owner of the Manufacturers Railway Company in acquiring the O'Fallon property was partly to fulfil the above ordinance authorizing the acquiring of railroad line in East St. Louis which he purposed later to connect with the facilities to be afforded by the car [fol. 39] ferry and so to acquire a belt line at least seven miles long in East St. Louis.

(The Ordinances were offered and identified and marked Petitioners' Exhibit 17, an authenticated copy of Ordinances Number 21,573 and Number 22,025 of the City of St. Louis. The above numbered ordinances were marked "Petitioners' Exhibit No. 17" and provide substantially as outlined in Paragraph 2 of this offer of proof.)

3. In relation to the point made by the Commission in its report, that there is no physical connection between the rails of the Manufacturers and the rails of the O'Fallon, we offer to prove that by a decree of this Court entered on March 2, 1914, a certified copy of which we offer in evidence in the case of the United States vs. the Terminal Railroad Association of St. Louis, et al., the decree having been made by a three judge court consisting of Circuit Judges Sanborn, Hook and Smith, it was provided that any railroad, not electing to become a joint owner with the then proprietary trunk lines owning the Terminal Association (quoting from the decree):

"But desiring the use of the terminal facilities of the Terminal Railroad Association of St. Louis may enjoy the use thereof upon such just and equitable terms and regulations as will in respect of use, character, and cost of service place it upon as nearly an equal plane as may be with respect to expenses and charges as then occupied proprietary companies."

(The above mentioned document was marked as Petitioners' Exhibit No. 18, and is sufficiently described above.)

4. We offer to show further upon this point, that during each of the recapture periods the Terminal Railroad Asso- [fol. 40] ciation of St. Louis owned and had a complete monopoly in ownership of all of the steam railroad facilities directly between St. Louis and East St. Louis for the transportation of freight across the Mississippi River between those two points; that since the entry of the above decree it has been the practice of the Terminal Railroad Association to permit any carrier that wished to operate its own locomotives and trains for the transportation of freight across the Mississippi River between St. Louis and East St. Louis, to use the cross-river facilities and connecting tracks of the Terminal for said purpose, and to do so without having any joint facility or other operating agreement between the Terminal and the carrier desiring so to use the Terminal's facilities. The practice of the Terminal in said respect being to permit such use of its said facilities merely upon request in each particular instance and the assignment of a pilot to conduct the locomotive of the other carrier over the tracks and bridges of the Terminal; that the Manufacturers and the O'Fallon have, since the entry of said decree, shared in common with all the other railroads in St. Louis and East St. Louis, the rights and privileges accorded under the decree by the Terminal Railroad Association to the other carriers desiring to use their said facilities. The Manufacturers and the O'Fallon have, from time to time during the recapture periods, operated their locomotives and trains between their two lines by the use of the connecting facilities of the Terminal Railroad Association whenever it was to the best advantage of the Petitioners to do so; that certain of the trunk lines, among them the Wabash, [fol. 41] have tracks and facilities both in St. Louis and East St. Louis, but no trunk line having such facilities in both said cities has any facilities of its own making direct physical connection between its said rails and both sides of the Mississippi River at said points; that the trunk lines having such facilities on both sides of the Mississippi River use the facilities of the Terminal for the purpose of operating their trains between the trunk lines' east side and west

side facilities; that the Manufacturers and the O'Fallon make the same kind of use of the facilities of the Terminal Railroad Association for the purpose of connecting the rails of the two Petitioning carriers with each other; that said trunk lines make.

5. As bearing upon the value of the properties we offer to prove that, for a period of ten years—from 1917 to 1926, inclusive, of both, the Railway Operating Revenues, Railway Operating Expenses, the Net Revenue from Railroad Operations, Railway Tax Accruals, Hire of Equipment and Joint Facilities Rents, operating ratios and other statistical facts, were as shown on the exhibit now offered in evidence and marked Petitioners' Exhibit No. 19.

Petitioners' Exhibit No. 19, consists of one sheet and is in words and figures as follows:

(Here follow Petitioners' Exhibits 19 and 20, marked side folio pages 42 and 43.)

[fol. 42]

PETITIONERS' EXH

"Saint Louis and O'Fallo

Statement Showing Railway Operating Revenues, Railway Operating Expenses, Net Revenue fro
for Years 1917 to 1926, Both Inc

| | Year 1917 | Year 1918 | Year 1919 | Year 1920 | P 1 De |
|---|---|---|---|---|---|
| Railway operating revenues | 456,255 61 | 654,721 19 | 372,610 74 | 703,791 30 | |
| Railway operating expenses | 213,825 44 | 311,634 77 | 252,276 28 | 392,744 88 | |
| Net revenue from railway operations | 242,430 17 | 343,086 42 | 120,334 46 | 311,046 42 | |
| Railway tax accruals | 12,000 00 | 78,000 00 | 185,000 00 | 89,046 29 | |
| Uncollectible railway revenues | | | 4 99 | | |
| Total operating income | 230,430 17 | 265,086 42 | 64,670 53 | 222,000 13 | |
| Hire of equipment—Cr. Bal. | | | 8,293 78 | | |
| Joint facility rents—Cr. Bal. | 1,080 00 | 1,080 00 | 5,372 99 | 1,080 00 | |
| Hire of equipment—Dr. Bal. | 10,511 21 | 10,493 41 | | 166 12 | |
| Joint facility rents—Dr. Bal. | | | | | |
| Net Railway operating income | 220,998 98 | 255,673 01 | —51,003 78 | 222,914 01 | |
| Operating ratios St. L. & O'F. Ry | 46 87 | 47 60 | 67 70 | 57 42 | |
| Average operating ratios—Eastern district | 70 44 | 81 35 | 85 06 | 94 38 | |

Net Railway Operating Income for Recapture Years has been shown as finally adjusted by the In

NOTE.—Minus Sign (—) shows deficit."

[fol. 43] 6. We offer to make similar proof with respect to the Manufacturers Railway for the sa
Exhibit No.

Petitioners' Exhibit No. 20, consisti

PETITIONERS' EX

"Manufactuers Railwa

Statement Showing Railway Operating Revenues, Railway Operating Expenses, Net Revenue from
Years 1917 to 1926, Both

| | Year 1917 | Year 1918 | Year 1919 | Year 1920 | P 1 De |
|---|---|---|---|---|---|
| Railway operating revenues | 172,341 50 | 205,652 84 | 209,828 68 | 292,639 03 | |
| Railway operating expenses | 183,801 77 | 233,419 13 | 213,904 29 | 222,862 43 | |
| Net revenue from railway operations | —11,480 27 | —27,766 29 | —4,075 61 | 69,776 60 | |
| Railway tax accruals | 12,526 74 | 13,713 28 | 15,773 85 | 21,249 10 | |
| Uncollectible railway revenues | 10 00 | 12 00 | 227 73 | 101 99 | |
| Railway operating income | —23,997 01 | —41,491 57 | —20,077 19 | 48,425 51 | |
| Hire of equipment—Cr. Bal. | 23,317 99 | 15,206 77 | 20,617 65 | 37,769 68 | |
| Joint facility rents—Cr. Bal. | 189 50 | | | | |
| Hire of equipment—Dr. Bal. | | | | | |
| Joint facility rents—Dr. Bal. | | 270 00 | 18 00 | 360 00 | |
| Net railway operating income | —489 52 | —26,494 80 | 522 46 | 85,835 19 | |
| Operating ratio—Manufacturers Ry. Co. | 106 65 | 113 50 | 101 94 | 75 08 | |
| Average operation ratios—Eastern district | 70 44 | 81 35 | 85 06 | 94 38 | |

PETITIONERS' EXHIBIT 19

"Saint Louis and O'Fallon Railway Company"

ues, Railway Operating Expenses, Net Revenue from Railway Operations, Railway Tax Accruals, Hire of Equipment, and Joint Facility Rents for Years 1917 to 1926, Both Inclusive

| 1917 | Year 1918 | Year 1919 | Year 1920 | Period Mch. 1, 1920 to Dec. 31, 1920 | Year 1921 | Year 1922 | Year 1923 | Year 1924 | Year 1925 | Year 1926 |
|---|---|---|---|---|---|---|---|---|---|---|
| 255 61 | 654,721 19 | 372,610.74 | 703,791 30 | 572,882 77 | 590,792 56 | 491,792 36 | 540,524.01 | 422,166 40 | 343,811.30 | 486,783.42 |
| 825 44 | 311,634 77 | 252,276 28 | 392,744 88 | 341,986 29 | 305,653 40 | 282,429 51 | 331,750 80 | 282,320,73 | 216,282.54 | 287,653.04 |
| 430 17 | 343,086 42 | 120,334 46 | 311,046 42 | 230,896 48 | 285,138 96 | 209,362 85 | 208,362 85 | 139,845 67 | 127,526.76 | 199,130 3 |
| 000 00 | 78,000 00 | 185,000 00 | 89,046 29 | 85,546 29 | 76,796 88 | 49,969 49 | 48,566 65 | 26,040 25 | 38,700 06 | 48,500 00 |
| ..... | ..... | 4 99 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 30 17 | 265,086 42 | 64,670 53 | 222,000 13 | 145,350 19 | 208,342 08 | 159,393 36 | 160,206 65 | 113,805 42 | 8,828.70 | 150,630.38 |
| | | 8,293 78 | ..... | 1,269 70 | ..... | 4,650 11 | 7,817 33 | 9,034 44 | 15,331.54 | 8,341 96 |
| 80 00 | 1,080 00 | 5,372 99 | 1,080 00 | 900 00 | 1,080 00 | 1,080 00 | 1,080 00 | 1,080 00 | 1,080.00 | 1,080.00 |
| 11 21 | 10,493 41 | ..... | 166 12 | ..... | 27,895 35 | ..... | ..... | ..... | ..... | ..... |
| 98 98 | 255,673 01 | —51,033 78 | 222,914 01 | 147,519 89 | 182,726 73 | 175,123 47 | 179,103 98 | 123,919 86 | 105,240 24 | 160,052 34 |
| 46 87 | 47 60 | 67 70 | 57 42 | ..... | 52 10 | 57 64 | 65 63 | 66 87 | 62 91 | 59 09 |
| 70 44 | 81 35 | 85 06 | 94 38 | ..... | 82 71 | 79 41 | 77 83 | 78.13 | 74.10 | 74 35 |

Years has been shown as finally adjusted by the Interstate Commerce Commission in Decision, February 15, 1927.

respect to the Manufacturers Railway for the same period of time as shown by the exhibit now offered in evidence and marked Petitioners' Exhibit No. 20.

Petitioners' Exhibit No. 20, consisting of one sheet, is as follows:

PETITIONERS' EXHIBIT 20

"Manufactuers Railway Company"

Railway Operating Expenses, Net Revenue from Railway Operations, Railway Tax Accruals, Hire of Equipment, and Joint Facility Rents for Years 1917 to 1926, Both Inclusive.

| 917 | Year 1918 | Year 1919 | Year 1920 | Period Mch. 1, 1920 to Dec. 31, 1920 | Year 1921 | Year 1922 | Year 1923 | Year 1924 | Year 1925 | Year 1926 |
|---|---|---|---|---|---|---|---|---|---|---|
| 41 50 | 205,652 84 | 209,828 68 | 292,639 03 | 260,444 52 | 321,032 24 | 343,387 95 | 374,682 79 | 428,607 26 | 421,112 19 | 430,347 71 |
| 91 77 | 233,419 13 | 213,904 29 | 222,862 43 | 204,586 29 | 209,587 31 | 218,214 91 | 274,854 94 | 292,936 88 | 283,932 22 | 275,775 92 |
| 0 27 | —27,766 29 | —4,075 61 | 69,776 60 | 55,858 23 | 51,444 93 | 125,523 04 | 98,827 85 | 135,670 38 | 137,179 97 | 154,571 79 |
| 6 74 | 13,713 28 | 15,773 85 | 21,249 10 | 19,049 10 | 29,596 70 | 30,200 00 | 35,000 00 | 32,500 00 | 42,500 00 | 47,491 12 |
| 0 00 | 12 00 | 227 73 | 101 99 | 101 99 | 6 37 | ..... | 7 33 | ..... | ..... | ..... |
| 7 01 | —41,491 57 | —20,077 19 | 48,425 51 | 36,707 14 | 21,841 86 | 95,323 04 | 64,827 85 | 103,163 05 | 94,679 97 | 107,080 67 |
| 7 99 | 15,366 77 | 20,617 65 | 37,769 68 | 28,199 83 | 30,610 27 | 295 30 | 19,903 44 | 22,702 06 | 35,230 08 | 16,447 82 |
| 9 50 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| | 270 00 | 18 00 | 360 00 | 300 00 | 360 00 | 360 00 | 360 00 | 360 00 | 360 00 | 360 00 |
| 3 52 | —26,494 80 | 522 46 | 85,835 19 | 64,526 97 | 52,092 13 | 95,258 34 | 84,371 29 | 125,505 11 | 129,550 05 | 123,168 49 |
| 5 65 | 113 50 | 101 94 | 75 08 | ..... | 92 30 | 66 94 | 77 66 | 8 35 | 67 42 | 64 08 |
| 9 44 | 81 35 | 85 06 | 94 38 | ..... | 82 71 | 79 41 | 77 83 | 76 13 | 74 10 | 74 35 |

[fol. 44] "Net Railway Operating Income for Recapture Years has been shown as finally adjusted by the Interstate Commerce Commission in Decision February 15, 1927.

NOTE.—Minus Sign (—) indicates deficit."

7. The map of the Manufacturers' Railway, a record before the Commission, was too large to be of serviceable use before the Court. Therefore, we offer a photostatic copy of the same map and ask to have it marked Petitioners' Exhibit No. 21, reduced in size, with the lines of the Manufacturers' marked in red. On it also contains certain new matter consisting merely of a colored line showing the proposed southern approach to the railroad deck of the Municipal Bridge already constructed at St. Louis and East St. Louis with which the lines of the Manufacturers' Railway will be connected and over which the Manufacturers' and the O'Fallon will be able to operate their trains between East St. Louis and St. Louis over the intermediate connection with the Alton & Southern Railway mentioned in the record before the Commission.

[fol. 45] 8. In relation to the value of the property, we offer to prove that the cost of reproduction new of the property, exclusive of land and working capital of the O'Fallon, held for and used in the service of transportation was, as shown on the exhibit captioned "Summary Estimates of Cost of Reproduction of Property (Exclusive of land) of St. Louis & O'Fallon Railway Company," marked for identification as Exhibit number 22.

Petitioners' Exhibit No. 22 consists of one sheet and is as follows:

[fol. 46]

PETITIONERS' EXHIBIT No. 22

Summary of Estimates of Cost of Reproduction of Property (Exclusive of Land) of St. Louis and O'Fallon Ry. Co.

| | | Dec. 31, 1920 | Dec. 31, 1921 | Dec. 31, 1922 | Dec. 31, 1923 | Average 1922-1923 Prices Applied to Dec. 31, 1923 Quantities |
|---|---|---|---|---|---|---|
| | 1. Road: | | | | | |
| 1 | Engineering | $33,745 | $30,179 | $27,617 | $29,023 | 28,707 |
| 3 | Grading | 220,560 | 200,403 | 181,188 | 181,274 | 181,274 |
| 6 | Bridges, trestles & culverts | 74,289 | 59,731 | 58,522 | 60,471 | 59,783 |
| 8 | Ties | 84,105 | 78,628 | 67,151 | 74,170 | 72,788 |
| 9 | Rails | 126,202 | 110,712 | 102,999 | 108,000 | 107,065 |
| 10 | Other Track Material | 39,797 | 36,430 | 31,695 | 35,950 | 33,193 |
| 11 | Ballast | 38,935 | 38,935 | 38,935 | 38,935 | 38,935 |
| 12 | Tracklaying and surfacing | 91,375 | 82,831 | 74,848 | 75,169 | 75,169 |
| 13 | Right-of-way fences | 73 | 73 | 73 | 73 | 73 |
| 15 | Crossings and signs | 2,750 | 2,076 | 1,929 | 2,058 | 2,058 |
| 16 | Station and office buildings | 17,939 | 15,008 | 14,791 | 16,377 | 16,064 |
| 17 | Roadway buildings | 2,309 | 1,969 | 2,076 | 2,246 | 2,212 |
| 18 | Water stations | 4,300 | 3,800 | 3,400 | 3,600 | 3,600 |
| 20 | Shops and engine houses | 93,470 | 78,056 | 74,037 | 82,805 | 80,306 |
| 26 | Telegraph and telephone lines | 6,135 | 5,592 | 5,118 | 5,172 | 5,154 |
| 32 | Power distribution system | 40 | 35 | 35 | 35 | 35 |
| 33 | Power line poles and fixtures | 20 | 15 | 15 | 15 | 15 |
| 37 | Roadway machines | 1,319 | 1,223 | 1,399 | 2,369 | 2,369 |
| 38 | Roadway small tools | 224 | 206 | 164 | 196 | 190 |
| 44 | Shop machinery | 39,284 | 38,748 | 31,758 | 36,234 | 37,321 |
| | Totals Acct. 1-47 | $877,371 | $784,652 | $718,058 | $754,392 | $748,451 |

| | | | | | |
|---|---|---|---|---|---|
| II. Equipment: | | | | | |
| 51 Steam locomotives | 167,824 | 148,104 | 133,294 | 97,104 | 98,030 |
| 53 Freight train cars | 1,278,959 | 1,157,913 | 848,818 | 1,117,183 | 1,021,664 |
| 54 Passenger train cars | 44,649 | 36,931 | 30,158 | 39,641 | 35,117 |
| 57 Work equipment | 7,929 | 5,250 | 4,063 | 5,393 | 4,761 |
| 58 Miscellaneous | 922 | 1,772 | 2,130 | 2,130 | 2,057 |
| Totals, Accts. 51-58 | 1,498,083 | 1,349,920 | 1,018,463 | 1,321,451 | 1,159,629 |
| III. General Expenditures: | | | | | |
| 71-75, 77 Organization expenses, etc | 13,161 | 11,770 | 10,771 | 11,319 | 11,227 |
| 76 Interest during construction | 58,092 | 52,106 | 44,429 | 50,458 | 47,781 |
| Totals, Acct. 71-77 | 71,253 | 63,876 | 55,200 | 61,777 | 59,008 |
| Totals, Acct. 1-77 except 2 | $2,446,707 | $2,198,448 | $1,791,701 | $2,137,820 | $1,987,088 |

[fol. 47] We offer to make this proof by producing witnesses who will testify in accordance with the facts and figures shown on that exhibit.

9. We offer to prove that the depreciation, if any, existing in the properties of the O'Fallon during each of the recapture periods was less in amount than the appreciation and the going concern value in the same respective periods.

10. We offer in evidence an exhibit captioned, "Cost of Reproduction New and Cost of Reproduction Less Depreciation, plus Value of Land and Working Capital as Determined by the Commission in its Report of St. Louis & O'Fallon Railway," this having been marked for the purpose of identification, 'Petitioners' Exhibit 23.'

(Petitioners' Exhibit No. 23 consists of one sheet and contains the following tabulation:)

(Here follows Petitioners' Exhibits Nos. 23 and 24, marked side folio pages 47a and 48)

[fol. 47a]

PETITIONERS' E

Cost of Reproduction New and Cost of Reproduction Less Depreciation Plus W
St. Louis & O'

| (1) | Prices as of 1914: Cost of Repro. New (2) | Prices as of 1914: Cost of Repro. less Deprec. (3) | Ratios of current to 1914 prices (4) | Current Cost of Repro. New (5) |
|---|---|---|---|---|
| 10 months ended Dec. 31, 1920 | $936,732 | $658,531 | 230% | $2,154,48 |
| Year ended Dec. 31, 1921 | 950,553 | 692,923 | 195% | 1,853,57 |
| Year ended Dec. 31, 1922 | 951,974 | 674,709 | 157% | 1,494,58 |
| Year ended Dec. 31, 1923 | 940,708 | 645,436 | 174% | 1,636,83 |

11. We offer a similar tabulation for the Manufacturers' Railway Compa
(Petitioners' Exhibit No. 24 consists of one

[fol. 48]

PETITIONERS'

Cost of Reproduction New and Cost of Reproduction Less Depreciatio
Manufacturers R

| Period (1) | Prices as of 1914: Cost of Repro. New (2) | Prices as of 1914: Cost of Repro. less Deprec. (3) | Ratios fo Current to 1914 Prices (4) | Current Cost of Repro. New (5) |
|---|---|---|---|---|
| 10 months ended Dec. 31, 1920 | $1,000,670 | $909,338 | 214% | $2,141,43 |
| Year ended Dec. 31,1921 | 947,763 | 787,371 | 191% | 1,810,22 |
| Year ended Dec. 31, 1922 | 955,774 | 761,517 | 165% | 1,577,02 |
| Year ended Dec, 31, 1923 | 971,572 | 763,879 | 181% | 1,758,54 |

PETITIONERS' EXHIBIT No. 23

Cost of Reproduction Less Depreciation Plus Value of Land and Working Capital as Determined by Commission in Its Report
St. Louis & O'Fallon Railway

| Prices as of 1914 | | Ratios of current to 1914 prices | Current Prices | | Land and Materials and Supplies | Col. 5 plus Col. 7 | Col. 5 plus Col. 7 | Adjustment for additions during year | Col. 8 less Col. 10 | Col. 9 less Col. 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| t of . New | Cost of Repro. less Deprec. | | Current Cost of Repro. New | Cost of Repro. less Deprec. | | | | | | |
| ) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 36,732 | $658,531 | 230% | $2,154,484 | $1,514,621 | $100,500 | $2,254,984 | $1,615,121 | $9,327 | $2,245,657 | $1,605,794 |
| 50,553 | 692,923 | 195% | 1,853,578 | 1,351,800 | 100,500 | 1,954,078 | 1,451,700 | 102,975 | 1,851,103 | 1,348,725 |
| 51,974 | 674,769 | 157% | 1,494,589 | 1,059,387 | 100,500 | 1,595,099 | 1,159,887 | 915 | 1,594,184 | 1,158,972 |
| 40,708 | 645,436 | 174% | 1,636,832 | 1,123,111 | 100,500 | 1,737,332 | 1,223,611 | 6,710 | 1,730,622 | 1,216,901* |

ulation for the Manufacturers' Railway Company and ask that it be marked for identification, "Petitioners' Exhibit 24"
(Petitioners' Exhibit No. 24 consists of one sheet and contains the following tabulation:

PETITIONERS' EXHIBIT 24

New and Cost of Reproduction Less Depreciation Plus Value of Land andWorking Capital from Commission's Report
Manufacturers Railway Company

| rices as of 1914 | | Ratios fo Current to 1914 Prices | Current Prices | | Land and materials and Supplies | Col. 5 plus Col. 7 | Col. 6 plus Col. 7 | Adjustment for additions and retirements during year | Col. 8 plus Col. 10 | Col. 9 plus Col. 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| t of . New | Cost of Repro. less Deprec. | | Cost of Repro. New | Cost of Repro. less Deprec. | | | | | | |
| ) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 00,670 | $909,338 | 214% | $2,141,434 | $1,731,985 | $722,527 | $2,863,961 | $2,454,512 | + $5,299 | $2,869,280 | $2,459,811 |
| 47,763 | 787,371 | 191% | 1,810,227 | 1,465,679 | 821,077 | 2,631,304 | 2,286,756 | + 38,242 | 2,668,546 | 2,324,998 |
| 55,774 | 761,517 | 165% | 1,577,027 | 1,256,503 | 855,905 | 2,432,932 | 2,112,408 | − 11,798 | 2,421,134 | 2,100,610 |
| 71,572 | 763,879 | 181% | 1,758,545 | 1,382,621 | 869,142 | 2,627,687 | 2,251,783 | − 44,686 | 2,583,001 | 2,207,077* |

[fol. 49] 12. We offer to prove that the factors in column 4 in Petitioners' Exhibits 23 and 24 represent a conservative statement of the ratio of the prices current in the several recapture years, respectively, to the level of prices current in 1910 to 1914; and that in the years 1924 to 1926, inclusive, the level of the cost of railroad construction and equipment has been substantially the same as existed in the year 1923.

13. We offer to prove that the figures in column 5 of Exhibit 24 dealing with the Manufacturers' reproduction new as of the respective recapture years, and based on the prices current in each of said years, are a conservative estimate of the said cost of the property of the Manufacturers' Railway Company, exclusive of land and working capital, held and used for transportation purposes in said years.

14. We offer to prove that there is no more difficulty in making an estimate of the cost of construction or the cost of reproduction of a railroad, including its equipment, at prices existing since March 1, 1920, than at prices current from 1910 to 1914; that such estimates of the cost of construction and equipment of railroads have been made and have been found to be reliable and accurate after the work has been performed, and that an estimate of the cost of reproducing an existing property can be made more accurately than an advanced estimate of the cost of constructing a non-existing property.

15. We offer to prove that the period from March 1, 1920 to the present time has been one in which the general level of the cost of constructing and equipping a railroad has [fol. 50] been uniformly more than 150 per cent of the cost of constructing and equipping a railroad in 1910 to 1914; that such costs from 1923 to the present time have been at approximately the same level as they were in 1923 and that such fluctuations as have occurred, have been no more violent than the fluctuations in similar costs of similar work which occurred from 1910 to 1914.

16. We offer to prove as to each of the recapture periods the economic justifiability of the O'Fallon and Manufac-

turers', respectively, and also of the two combined as a single system.

17. We offer to prove the same thing in respect to the Manufacturers and O'Fallon if considered as a single system."

The Commission and the United States then renewed, as to each of the facts which the Petitioners so offered to prove, the objections theretofore made by them to the introduction of Petitioners' Exhibit 3, as evidence de novo.

The objection was sustained, and the Petitioners reserved an exception which was allowed by the Court.

This closed the Petitioners' case in chief, in the trial of this case in the District Court.

## Defendants' Evidence

### Statements re Defendants' Exhibits 1 to 33, Inc.

Defendants offered as their Exhibit No. 1 certain extracts from the minutes of the Interstate Commerce Commission, establishing the Bureau of Valuation, which document on objection was excluded.

[fol. 51] Defendants' Exhibit No. 2 was offered in evidence, consisting of certain extracts from the annual reports of the Interstate Commerce Commission reporting on the valuation work and the manner in which it was being carried out. Upon objection this was excluded.

Defendants Exhibit No. 3, consisting of instructions for the field work of the roadway branch of the engineering section of the Division of Valuation of the Interstate Commerce Commission, was offered in evidence, but upon objection by petitioners was excluded.

Defendants' Exhibit No. 4, entitled, "Orders, Instructions and Forms Pertaining to Schedules of Land," was offered and received in evidence.

Defendants' said Exhibit No. 4 is an uncertified copy of "Valuation Order No. 7," requiring the carriers to report to the Commission on certain prescribed forms the cost of lands dedicated by the carriers to public use.

It shows that for carrier lands the Commission requires the carriers to report the nature of the instrument and the date thereof, together with the grantor and grantee under

which title was claimed, the area of the parcel, the consideration, and date of dedication, the cost of the parcel when originally acquired, and the amount received for any parcel sold, together with the cost at the date of dedication of the parcel as now used; and that similar information was required concerning lands, including improvements thereon, [fol. 52] held for purposes other than those of a common carrier.

Defendants' Exhibit No. 5, was offered and received in evidence. It is an uncertified document consisting of three sheets, purporting to have been signed by C. A. Prouty, Director of the Division of Valuation, prescribing additional regulations and explaining certain principles to be followed by the carriers in making returns under Valuation Order No. 7.

Defendants' Exhibit No 6, known as "Valuation Order No. 8," was offered and received in evidence. This consists of one sheet and orders the carrier to report on certain forms which are not attached to the exhibit, the information requested on those forms concerning the cost of machinery and equipment owned and used by the carrier. It is not a certified copy.

Defendants' Exhibit No. 7, "Supplemental Instructions for making returns to Valuation Order No. 8," was offered and received in evidence. This exhibit consists of one sheet and makes reference to certain forms upon which was to be reported the original cost [illegible] machinery and equipment. It details the manner in which the figures shall be set down on various forms which were not attached or introduced.

Defendants' Exhibit No. 8, known as "Valuation Order No. 16," relating to aids, gifts, grants and donations, was offered and received in evidence. This consists of two sheets and requests that the carrier report to the Commission all aids, gifts, grants and donations originally received by the carrier.

Defendants' Exhibit No. 9, known as "Supplemental In- [fol. 52a] structions to Valuation Order No. 16," was offered and received in evidence. This contains additional request for information and prescribes the manner and form of reporting aids, gifts, grants and donations.

Defendants' Exhibit No. 10, known as "Valuation Order No. 20," was then offered and received in evidence. This

order, consisting of two sheets, required the carriers to report to the Commission certain facts relating to the corporate history of each carrier.

Defendants then offered a number of exhibits marked for identification, Nos. 11 to 33, inclusive, which, upon objection by the petitioners, were excluded. These exhibits were described as follows:

Defendants' Exhibit No. 11: Instructions for field work of the roadway branch of the Engineering Section of the Division of Valuation, Interstate Commerce Commission.

Defendants' Exhibit No. 12: Instructions for field work of the building branch of the Engineering Section of the Division of Valuation, Interstate Commerce Commission.

Defendants' Exhibits No. 13: Instructions for field work of the mechanical and electrical sections of the Division of Valuation, Interstate Commerce Commission.

Defendants' Exhibit No. 14: Instructions for field work of the signal branch of the Engineering Section of the Division of Valuation, Interstate Commerce Commission, First Tentative Draft.

Defendants' Exhibit No. 15: Instructions for field work of the telegraph and telephone branch of the Engineering Section of the Division of Valuation, Interstate Commerce Commission.

Defendants' Exhibit No. 16: Specifications for maps and profiles as prescribed by the Interstate Commerce Commission, February 1, 1914.

[fol. 52b] Defendants' Exhibit No. 17: Valuation Order No. 5, dated November 21, 1914, modifying and supplementing the so-called map order.

Defendants' Exhibit No. 18: Valuation Order No. 6, dated November 21, 1914, regulations modifying and supplementing Valuation Order No. 1.

Defendants' Exhibit No. 19: Valuation Order No. 23, dated March 9, 1920, modifying and supplementing the so-called map order.

Defendants' Exhibit No. 20: Valuation Order No. 2, dated May 12, 1914, in re abandoned property.

Defendants' Exhibit No. 21: Valuation Order No. 10, dated December 23, 1914, modifying and supplementing Valuation Order No. 2, in re abandoned property.

Defendants' Exhibit No. 22: Valuation Order No. 4, dated June 25, 1914, in re inventory of materials and supplies.

Defendants' Exhibit No. 23: Valuation Order No. 22, dated July 26, 1918, modifying and supplementing Valuation Order No. 4, in re inventory of materials and supplies.

Defendants' Exhibit No. 24: Valuation Order No. 11, dated January 21, 1915, order, instructions and form pertaining to an inventory of records.

Defendants' Exhibit No. 25: Valuation Order No. 12, dated January 21, 1915, in re industrial tracks.

Defendants' Exhibit No. 26: Valuation Order No. 13, dated February 9, 1915, in re schedules made by carriers.

Defendants' Exhibit No. 27: Valuation Order No. 14, dated February 9, 1915, order, instructions, and forms pertaining to purchases of materials, prices paid, and rates [fol. 53] of compensation paid for labor.

Defendants' Exhibit No. 28: Valuation Order No. 15, dated March 8, 1915, order, instructions and form pertaining to privileges given and leases made by steam railroads.

Defendants' Exhibit No. 29: Valuation Order No. 17, dated May 5, 1915, order instructions, and forms pertaining to purchases of materials, prices paid, and rates of compensation paid for labor.

Defendants' Exhibit No. 30: Valuation Order No. 19, dated May 5, 1915, order, instructions, and forms relating to purchases of materials, prices paid, and rates of compensation paid for labor, pertaining to telegraph and telephone property.

Defendants' Exhibit No. 31: Valuation Order No. 21, dated July 6, 1917, specifications for maps, charts, and schedules of telegraph and telephone properties owned by railroad, telegraph, cable, and telephone companies.

Defendants' Exhibit No. 32: Memorandum to District Accountants No. 74, dated June 1, 1916.

Defendants' Exhibit No. 33: Instructions pertaining to land appraisals, field, revised to April 1, 1918.

Defendants requested leave to have made a part of this record by reference, the Decision of the Commission in Ex Parte 87, Revenues in Western District 113 I. C. C. 3. Upon objection by the Petitioners, the request was denied, the

Court stating that in its opinion the objection should be sustained and that in the argument and in brief counsel might cite that case and that in so far as it was pertinent as an authority the Court would consider it.

Evidence closed.

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[fol. 54] **Condensed Statement of Petitioners' Exhibit No. 3**

Certified Copy of Record before Interstate Commerce Commission in "Finance Docket No. 3908, Excess Income of St. Louis & O'Fallon Railway Company; Finance Docket No. 4026, Excess Income of Manufacturers' Railway.

STATEMENT

This Exhibit consisted of (1) an order of the Commission dated May 14, 1924, instituting the proceeding in which the order moved to be set aside was made and assigning the case for hearing; (2) order of the Commission dated August 9, 1924, reassigning the proceedings for hearing on a later date; (3) transcript of the oral testimony offered at the hearing before the Commission; (4) copies of all exhibits offered at such hearing; (5) a copy of the proposed report of Examiner Paul J. Kelley in these proceedings; (6) a copy of the report and order of the Commission; (7) certain other documentary matter included in the record before the Commission; (8) an excerpt from the transcript of the oral argument before the Commission; (9) the certificate of the secretary of the Commission that the foregoing constituted all of the record before the Commission, the material portions of which are summarized as follows:

[fol. 55] (1) ORDER OF COMMISSION MAY 14, 1924,

instituting its investigation known as "Finance Docket No. 3908, Excess Income of St. Louis & O'Fallon Railway Company, and Finance Docket No. 4025, Excess Income of Manufacturers' Railway Company," and setting said cases together for hearing before C. V. Burnside, Assistant Director of Bureau of Finance, at the office of the Commission at Washington on September 8, 1924, for the pur-

pose of receiving evidence (a true copy of this order is attached to the petition, marked Exhibit A, and is hence omitted from this condensed statement of Exhibit 3).

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(2) Order of the Commission August 9, 1924,

reassigning said proceedings for hearing on October 1, 1924 at the office of the Commission in Washington before C. V. Burnside, Assistant Director, Bureau of Finance.

(3) Narrative Statement of Oral Evidence Before the Commission

Excess Income of the St. Louis & O'Fallon Railway Company, Finance Docket No. 3908

Excess Income of Manufacturers' Railway Company, Finance Docket No. 4026

Washington, D. C., October 1, 1924

[fol. 56] Before Assistant Director C. V. Burnside

Appearances: Messrs. Clark & LaRoe, and Frederick E. Brown, for St. Louis & O'Fallon Railway Company, and the Manufacturers' Railway Company; Mr. Phillip J. Doherty, for Bureau of Valuation, Interstate Commerce Commission.

A. E. Wright, called on behalf of the carriers, testified as follows:

Direct:

I am Secretary of both corporations and Assistant to the President. I have occupied these positions about eight years. I served both companies as stenographer, assistant superintendent and superintendent. The operations and records of both companies are directly under my supervision.

There is almost complete common ownership of these properties. The Adolphus Busch estate owns more than a majority of the stock of each. Excepting sixty-five shares

of the Manufacturers' Railway Company's stock, and a few qualifying Directors' shares, all of the stock of both companies is owned by the Adolphus Busch estate or by members of the Busch family.

The O'Fallon property is in Illinois. The law of that state requires that three directors of the company shall be residents of Illinois. The Manufacturers' Railway Company has five directors. The O'Fallon Company has [fol. 57] seven directors. Three members of the Board of the Manufacturers' Company are also members of the O'Fallon Board. (Tes. 11-12.)

All of the officers of these companies are common to both companies, and all of the general office employees are common to both companies. The offices, which are common between the two companies, are located in St. Louis, Mo.

The engine repair shop for both companies is on the Manufacturers' Railway in St. Louis, Mo. The car repair shop for both companies is on the O'Fallon in East St. Louis, Ill.

There is not at the present time a direct physical connection between the rails of these two properties. They possess, however, perpetual right to run trains, engines and crews through from the O'Fallon to the Manufacturers and vice versa over the St. Louis Terminal tracks, and this right is exercised whenever desired.

The train and engine employees of the respective companies are carried on the pay-roll of the company to whose work they are assigned, but whenever crews run through from a point on one of the roads to a point on the other road, their compensation is charged to the respective companies on the basis of the service preformed. All of them are paid standard wages.

That the purpose is to physically connect these two properties is evidenced by the fact that the O'Fallon road [fol. 58] has acquired and now owns some thirty acres of land at the eastern end of the municipal bridge across the Mississippi River. This land was purchased and is held for the purpose of making a direct connection between the roads as soon as the municipal bridge is opened for railroad use. We are informed, and confidently believe, that funds with which to complete the rail approach on the Missouri side have been provided in a recently author-

ized municipal bond issue. Rails are now installed on the bridge proper. (Tes. 12-13.)

About two years ago plans for consolidation and merger of these properties were perfected and were brought to Washington to present to the Commission. Upon receiving advice that the Commission could not approve such a merger until the consolidation of railways plan is finally adopted, the application was withheld and was not filed with the Commission.

The rates to and from points on the Manufacturers' Railway are the common St. Louis rates to which the manufacturers' Railway is a party and out of which it gets divisions in the form of a switching or terminal allowance which is absorbed by the line haul carriers.

The rate from a point on the O'Fallon to a point on the Manufacturers is exactly the same as from the same point on the O'Fallon to any other point of delivery in the St. Louis district. In the division of these rates between the carriers the line haul carrier to East S. Louis gets a larger [fol. 59] division if the delivery is at a point on the rails of the Terminal Association of St. Louis than it gets if the delivery is at a point on the rails of some other carrier and the Terminal Association is a necessary intermediate carrier. The rate paid by the shipper, however, is the same.

Similarly, on shipments to or from St. Louis over the trunk lines, some find origin or destination on the tracks of the Terminal Association, and the trunk line absorbs out of the St. Louis rate the single charge of the Terminal Association. If, however, the origin or destination is on rails beyond the Terminal Association lines and the Terminal Association acts as an intermediate carrier, the line haul carrier absorbs the switching charges of both the Terminal Association and of the company upon whose rails the shipment originates or is delivered. The St. Louis, rate, however, applies on both instances. (Tes. 13-15.)

The rates upon which most of the freight traffic of the O'Fallon road moves are published in a joint agency tariff. Naturally, the O'Fallon is a participating carrier in joint through tariffs published by other carriers, and likewise the Manufacturers' is a concurring carrier in numer-

ous joint rate tariffs applying to and from points on its line.

If the Manufacturers and the O'Fallon were a single corporate entity, the system operation would be in no way [fol. 60] whatsoever any different than it is today and has been during the recapture periods. I know of no change that could be made. Each company issues its own waybills. The manufacturers issues billings in behalf of the trunk line and the O'Fallon issues its own billings. The billing of the Manufacturers differs from that of the O'Fallon in no way except that the commodities are different. The O'Fallon is purely a carrier of coal; the Manufacturers is purely a switching and terminal Class 3 road. The Manufacturers does not issue way-bills; they are issued by the trunk line. We issue regular straight bills, copies of which are sent to the trunk line for the issuance of waybills. It is a straight form—the general form approved by the Commission. We separate each individual bill of lading in behalf of the line which receives the line haul rate.

The distance between the rails of one and the other is about twelve miles and that includes a bridge over the Mississippi River—two bridges in fact, the Merchants Bridge and the Eads Bridge. The intermediate service is performed over the Terminal Railway Association of St. Louis, except when we perform the service ourselves. We have no contract in effect covering the privileges of these lines over the rails of the St. Louis Terminal. We have an autohrized right from the Terminal Railway Association. It is verbal and it is very simple. At any time, in [fol. 61] order to move trains either from one property to the other, we simply make agreements with the operating department, advise what time we wish the train to leave and ask them to furnish a pilot. It is not necessary to refer our requests to the executive officers. It is thoroughly understood as a matter of common practice at the St. Louis Terminal for several of the lines to do that. It is necessary with these movements. It is just an informal request upon their superintendent and various constituent properties.

The extent of this through service between these roads over the intervening rails of the Terminal varies accord-

ing to traffic conditions and the necessities, mostly depending upon movement of coal, particularly during the winter months. It varies as to how often this privilege is exercised. I would not say that there is any average number of movements. It depends entirely upon local conditions in the Terminal, the conditions of business and the rapidity with which business is moving.

The Manufacturers' is a Missouri corporation and the O'Fallon is an Illinois corporation. All offices from President to messenger boy in both corporations are held in common.

The O'Fallon issues the billing on any shipment of coal consigned from the O'Fallon to any of the industries on the Manufacturers. This is carried on that bill, over the rails of the O'Fallon and the intervening rails of the Ter-[fol. 62] minal and to point of destination of the Manufacturers. There is existing a steady movement of coal from mines on the O'Fallon to industries on the Manufacturers. Assuming this shipment to be billed "collect," the O'Fallon would collect. That is, no payment would be made to the Manufacturers; it would be paid direct to the agent or collector of the O'Fallon,—unless the shipments were made "Order Notify" or under other conditions that compel the payment of charges by consignees. (Tes. 20-21.)

It would be impossible for the O'Fallon to secure an intermediate haul on a shipment originating at some eastern point off the O'Fallon. The O'Fallon is engaged almost exclusively in the transportation of coal and the "outbound" business from East St. Louis to the mines is practically negligible except for the transportation of mine and incidental supplies.

There is some traffic in addition to coal traffic; we have for the past year, for instance, handled a very large quantity of building materials or roadway materials for the Illinois State Highway Department—those materials originating in both the St. Louis and East St. Louis Terminals and from points without the terminals. These companies are parties to joint rates. The Manufacturers is a participating carrier in all of the switching tariffs of all the St. Louis lines. We are members of Galligan's Agency Tariffs, F. A. Leland's Tariffs and hundreds of other

trunk line tariffs. We are participating in the St. Louis [fol. 63] & O'Fallon and vice versa. The O'Fallon participates in through rates also—on coal to points on the Rock Island, Burlington, Milwaukee, Wabash, Katy, Frisco and Cotton Belt and other trunk lines. The deliveries are made—some in St. Louis and some in East St. Louis. It does not all go west; some of it goes northwest. It all goes westward on the line of the O'Fallon. (Tes. 20-23.)

Cross:

The movements over the bridge are made usually by the motive power of the Terminal Association at St. Louis. There is no written contract between us and the Terminal Association of St. Louis. I do not know that there is any written contract between the Terminal Association and what we term the non-proprietary lines, of which there are about nine. It is merely a verbal agreement which we have with the executive officers of the Terminal. It has been exercised, to my knowledge, for eleven years. It is an agreement that never has been formulated, and it is not necessary to formulate it. For instance, the C. & R. I. has a practice of delivering through the Terminal in East St. Louis and pulling from the yards of the Terminal in East St. Louis all its inbound and outbound traffic with their own power. The Terminal Association handles none of that business. That is true to some extent of the Wabash and to some extent of the M. E. & T. and the Cotton Belt. Between these two carriers (O'Fallon and Manufacturers') there is an intervening rate established for the transportation over the bridge as to which neither of these companies has any choice in the making of that rate; and it is likewise [fol. 64] true that the intervening carrier has no choice in the making of our rates. There is an independent rate established between these two carriers—applicable on all traffic and between all lines of the 29 carriers in the St. Louis Terminal District. One of these roads is almost exclusively a coal road and its equipment is very largely—almost exclusively, coal equipment. (Tes. 23-25.)

The use of the Manufacturers is not by any means predominantly for the industries which are now established where the Brewery was. The traffic of the Anheuser-Busch Brewing Association constitutes 25% of the total of the line.

The uses of the Manufacturers for industrial sidings constitute about 25 miles out of a total of 30, and of those 25 miles of industrial sidings, about 3¾ to 4 miles is, at this time, for the Anheuser-Busch interests exclusively. In recent years there has been a very decided decrease in the amount of mileage formerly devoted exclusively to Anheuser-Busch, that is now being devoted to other sources, due to the leasing and sale of several of the Anheuser-Busch buildings to other substantial industries.

The equipment owned by the Manufacturers'—other than motive power—is similar to the equipment used on the O'Fallon—it is all standard equipment. The cars are all standard equipment. It is not necessarily all different from the equipment used on the O'Fallon. We handle a very large percentage of coal on the Manufacturers', a great deal of which comes from the O'Fallon. We handle box cars and every other kind of car. I do not know that [fol. 65] there can be any great distinction in the equipment handled by any carrier. (Tes. 25-26.)

The Manufacturers' has several box cars and several coal cars of its own. The great bulk of the Manufacturers' business is the switching of cars for the connecting trunk lines. We also own and operate a thousand refrigerator cars. That is the bulk of the owned equipment. It naturally is not necessary for the Manufacturers' to own much equipment. Our inbound business is very much in preponderance; therefore, we have all classes of equipment available for outbound loading. A statement covering the present equipment would not be substantially applicable to any portion of the period since 1920. In 1920, I think, we sold 75 coal cars to the O'Fallon which had previously been owned by the Manufacturers'. That—and the transfer of one locomotive—is the principal difference. (Tes. 26-28.)

The coal mine at O'Fallon is owned by the Adolphus Busch estate. Only a very small percentage of the coal up to a recent date that was transported over the Manufacturers' was delivered at the Brewery property which was controlled by the Busch estate. It never reached a general average of over 8%. Coal is delivered over the Manufacturers' by the O'Fallon in the same manner that

it is delivered over the Missouri Pacific and other roads in and around St. Louis. There is no difference. There is no [fol. 66] regularly established daily train that runs from the O'Fallon over the Manufacturers' or from the Manufacturers' over the O'Fallon. Neither company operates any of its trains on schedule. It is dependent entirely upon the condition of traffic. The Manufacturers'—or a portion of it—was constructed first, in 1887. The O'Fallon was incorporated in 1904; it was originally owned by the Thomas and Gundlach interests, and the control was afterwards acquired by the Browning interest, from which the Busch interests purchased it on September 15, 1913. The primary purpose of the acquisition by the Busch interests was the combining of the two properties and the establishment, in accordance with the promise made by Mr. Adolphus Busch, Sr., to the city of St. Louis, and the furtherance of his own personal plans of establishing a competition across the Mississippi River, was the real objective. (Tes. 28-29.)

The nature of the traffic of the O'Fallon was not a cause of the acquisition. That was only primary except to the extent that the O'Fallon was a private investment, but the real underlying cause of thought and plan was the joining of the two properties.

The thousand refrigerator cars were acquired by the Manufacturers' since prohibition went into effect. They were not used previously by the Brewery interests. They were owned by an independent Company, St. Louis Re- [fol. 67] frigerator Car Company, whose stock, at the time of its organization was very largely held by people in no way connected with the Brewery or the Busch interests. There has not been less demand for those cars since the Prohibition Act was passed. Even during the height of the prosperity of the Brewery the cars were placed in the potato service of the Northwestern lines in winter, and they still are. In addition, both then and now a very large number are assigned to merchandise business of the Missouri Pacific, which, at this time has about 700 to 800 of such cars. The investment of the Car Company was advantageous in some years, not in others. The expense of maintaining refrigerator cars is extremely high but the Manufacturers' had to be assured an adequate supply of cars. Even during prohibition the shipments of Anheuser-Busch reached

80 cars a day. The O'Fallon has no interest or participation in the refrigerator cars nor has the Manufacturers' any participation in the O'Fallon coal business except when the coal is billed to the Manufacturers'.

The refrigerator cars are not owned by the Manufacturers' but the use of said cars has been assigned to the Manufacturers' by the car company.

All of my testimony relates to facts true since September 15, 1913 and during the entire period here in question.

Redirect:

Each road has on its rails and owns the particular type [fol. 68] of equipment for the business that it hauls. It is all standard equipment. With respect to our rate structure, whatever may be the rate scheme or system in force, the rates are maintained as they are because of tariff regulations of the Interstate Commerce Commission. The agreement that I referred to in connection with the use of the Terminal tracks has been in force ever since I have been with the properties, in 1912. As far as I know it was in force at the time I came with the properties in 1912. For two ten-year periods from 1887 the Manufacturers', which was primarily designed to afford the Anheuser-Busch facilities, because of the failure of the Missouri Pacific and the Termnial to provide these facilities, was assigned to the Missouri Pacific. At the conclusion of the second ten-year period the property was taken over and operated by the Manufacturers' itself. The Busch interests acquired the O'Fallon at an effective date as of November 15, 1913. In other words, the acquisition of the O'Fallon followed shortly the acquisition by the owners of the Manufacturers' property. At least 99% of the total traffic of the O'Fallon consists of coal; it all moves westbound. It has no passenger business, except transportation of miners to and from the mines. We operate no passenger trains on the Manufacturers'. We did not make more extensive use of our right over the tracks of the St. Louis Transfer for the [fol. 69] last two years, primarily because of extreme dullness in the coal business. The coal traffic of all lines in Illinois in the last two years has not been 40 per cent. of normal. At times, particularly during the period of the

war, the O'Fallon transported a little over 20 per cent. of all the coal that came into the St. Louis terminals, and particularly during that period we were very active in handling trains from the O'Fallon to the Manufacturers' Railway. Financially, we would not profit any by a greater utilization of our privilege of using the transfer tracks rather than letting coal move the other way. (Tes. 33-35).

(Mr. Brown called to the Examiner's attention that there were certain decisions of the Supreme Court of the United States relating to the rights of the Manufacturers' over the tracks of the terminal company and that specific reference to such cases would be made in the brief of the carriers.)

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Mr. PHILIP MARSH, called on behalf of the carriers, testified as follows:

Direct:

I am Auditor and Treasurer of both the Manufacturers' and O'Fallon. I have occupied that position with the Manufacturers' since April, 1911, and with the O'Fallon since the date of its acquisition in 1913. My general duties are to keep the general accounts of both roads and have supervision over the station accounts—to act as paymaster [fol. 70] and take care of the money. Sometimes I have money to take care of.

I am fairly familiar with the several orders of the Commission in the matter of the recovery and payment of excess railway operating income. I have filed with the Commission the returns required by those orders. As we understood and applied the Commission's instructions it was not permissible to make a showing of what we regarded as the value of the property in the sense of fair value as distinguished from book value. The figures appearing upon our returns show clearly that the book investment has been used throughout the returns.

STIPULATION AS TO RECORD

It was here agreed, "that the documents already on file in these proceedings may be considered a part of the record."

Mr. Marsh, resuming: I have prepared further statements in form substantially similar to that required by the Commission's orders showing the value of the Manufacturers' and the O'Fallon. I have compiled, first, a consolidated return for the respective recapture periods for both the O'Fallon and the Manufacturers'; second, a separate return for the Manufacturers' supported by adequate detail; and, third, a separate return for the O'Fallon which is also supported by detail. The statements are prepared in this form and order to harmonize with the general in-
[fol. 71] structions hertofore laid down by the Commission with respect to other returns.

(Whereupon the carriers offered, as Exhibit No. 1, the consolidated return of the O'Fallon and the Manufacturers' for the respective recapture periods; as Exhibit No. 2, the return of the Manufacturers' for the respective recapture periods; and as Exhibit No. 3 the return of the O'Fallon.)

Taking up first the return of the Manufacturers for the ten-month period ended December 31, 1920, the item designated No. 1 on sheet 1 of the exhibit (Exhibit 2) is the value of the Railway property of the Manufacturers Railway Company held for and used in the service of transportation. The supporting details are shown on sheet 5 of the exhibit. The mileage figures shown in columns (b) and (d) of sheet 5 are actual figures of operated mileage taken from the records of the company. The figures shown in column (c), representing the value of railway property as computed by respondent are the figures shown on the engineering report of the Commission's Bureau of Valuation, equated to December 31, 1920. (Tes. 38-40.)

As to each of the items shown in column c, sheet 5, of Exhibit No. 2: The first amount shown, $2,103,953.39, is the value of our road and equipment, excluding land, as of December 31, 1920. The supporting figures are shown on sheet 6 of the exhibit, the following sheet.
[fol. 72] The figures shown in the first column of sheet 6 are taken from the report of the Engineering Section of the Commission's Bureau of Valuation.

The second column shown on this page indicates the index

numbers 1920 over 1914. Those are numbers that I have referred to as equation factors. Sheet No. 7 carries a detailed explanation of how those index numbers are arrived at.

I have made an independent study to show whether or not those index numbers correspond with actual prices paid by the Manufacturers' and the O'Fallon so far as cost of labor which would be represented in Account No. 12, the track-laying and surfacing of the engineering report, is concerned, and I find that our actual labor costs for that kind of labor involved in that work, the percentages for these accounting periods run in one case equal to the index number I have used and in the other three years considerably over that number. So that the actual expenditure on our own lines was more than the index number that I have taken. As a preliminary, for the year 1914 which was the year of the valuation, our section hands were paid at the rate of 17½ cents per hour. Taking the period of 1920, there were seven months in 1920 that they received 48 cents and five months 54 cents. This makes an average hourly rate of pay for the section men of 50.8 cents, which is 290 [fol. 73] per cent of the rate that they were getting paid in 1914, our index number for the 1920 period being 209.75, which is just a fraction of 1 per cent, more than our actual payment.

As to those index numbers, they are on sheet 7 of Exhibit No. 2. For the year or period 1921 we actually paid for six months of the time 54.5 cents an hour and the other six months 60 cents, making an average payment of 52.25 cents per hour for section men, which is 300 per cent. of the amount paid in 1914. Our return for that period is based on 267½ per cent., which is considerably less than the actual rate of pay that we had.

In 1922, the first six months we paid 50 cents per hour and 52½ cents for the balance of the year, making an average of 51¼ cents, or 293 per cent. of the 1914 rate, while our return is taken at 225 per cent.

The final period, 1923, we paid 44½ cents throughout, which made 254 per cent. of the 1914, and our return is based on 228 per cent. (Tes. 40-42.)

In addition to the documents referred to on sheet 7 we have considered other sources thought authentic for index

figures. We had for one thing a letter from Mr. F. C. Squire, who is engaged with the President's Conference Committee, in which he informed us that the Federal Reserve Bank of New York index of general price levels which [fol. 74] might be of interest to us was as follows: For 1914, 101 per cent. That is the year of course, that we were taking as the basis for the valuation. For 1920, 213 per cent.; 1921, 178 per cent., and 1923, 181 per cent. We received these figures after we had made up our index numbers, and we find in each case they are in excess of what we had used.

For accounts 3 and 11 I have used an index number of 100. That means we have used for 1920 the identical prices for 1914. Proceeding now with page 6 of Exhibit No. 2: The third column on page 6 shows the I. C. C. Valuation figures of the first column increased to the extent indicated by the index number of the second column. The fourth column shows the additions during the period from June 30, 1917, the date of the Commission's inventory, to and including December 31, 1920. These figures are taken from the books and represent actual expenditures. They are the figures reported in response to Order No. 3.

The fifth column of the exhibit shows the amount charged for retirements during the period from June 30, 1917, to December 31, 1920, inclusive.

The sixth column shows the figures of Column No. 5 equated to 1920 prices.

The seventh and last column shows the value of the road and equipment, excluding land, as of December 31, 1920, the total being the amount shown on sheet 5. (Tes. 42-44.)

[Counsel for the carriers offered in evidence as Exhibit No. 4, Bulletin No. 335, United States Department of Labor Statistics, being wholesale prices, 1890 to 1922; and as Ex- [fol. 75] hibit No. 5 Research Report No. 70 of the National Industrial Conference Board, these documents being the ones referred to on Sheet No. 7 of Exhibit No. 2.]

Order No. 3 is a Commission's valuation order in which they keep up the additions and retirements period by period after inventory was taken. Turning back to sheet 5 again, the amount shown for land, $504,072.96, is supported by the details shown on sheet 8 of the exhibit. Referring to sheet 8 the areas in square feet are taken from the

records of the company and are the same as the figures shown upon the land report of the Commission's Bureau of Valuation, dated January 31, 1923, except that the second item of river front property, aggregating 119,822 feet, is apparently not included in the Commission's report. The unit costs shown in the fourth colum- of sheet 8 are the actual unit prices paid for the property shown. As to how the total value shown as of December 31, 1920, compares with the value of corresponding parcels as of June 30, 1917: We have used the 191E prices. They were actually paid in 1915 but were not changed during that time. We have made no attempt to equate 1917 prices to the year 1920 or later periods. The figures shown in the fifth column headed "Amount" are the actual amounts paid for the lands described, as shown upon the books of the company. The next three columns show the authority for, date of, and cost additions of land during the period from June 30, 1917, to December 31, 1920. The last column shows the total [fol. 76] actual amounts expended for land used for transportation purposes as of December 31, 1920, which is the amount shown for land on sheet 5.

The details shown in column c, on sheet 5 are shown on sheet 9. The return in square feet as shown on sheet 9 is taken from the records of the company and is the same as that reported by the Land Section of the Commissioner's Bureau of Valuation. The value as of December, 31, 1920, is taken from the land report of the Bureau of Valuation. Taking up the next item shown in column c, sheet 5,—electrical installation,—the supporting details for that item are shown on sheet 10 of the exhibit. Sheet 10 is a copy of a report made by Mr. C. R. Arnold, a representative of the Commission, on July 26, 1924. The amounts shown are actual. That does not mean land. I will explain sheet 10 more fully. It is headed "Items Located on Carriers Owned and Leased Properties Not Inventoried or Reported under Valuation No. 3" (Tes. 44-47).

The next item shown in column c, sheet 5, is cash. That is taken from the books of the company. It is cash actually on hand December 31, 1920. The last item is material and supplies. It represents the actual cost of materials and supplies on hand at the close of the year 1920. The items

in column e added together give the total shown on sheet 1 of the exhibit as the value of the railway property as of December 31, 1920.

[fol. 77] Coming now to item No. 2 of sheet 1, and explaining how the percentage of 12.308 there shown is arrived at: This item is explained in detail on sheets 2, 3, and 4 of the exhibit. The Formula is in conformity with the Commission's order of January 16, 1922, in the matter of recovery and payment of excess railway operating income under the provisions of Section 15-a of the Interstate Commerce Act. I consider that rule a proper one for our company.

The amount shown for item 3, sheet 1 of the exhibit, $55,280.09, is the actual net railway operating income for the last ten months of 1920. The supporting details are shown on sheet 11 of the exhibit. Item No. 4 of sheet 1 is designed to show the excess of No. 3 over No. 2, but in this case there is an excess of No. 2 over No. 3, resulting in a deficit of $35,575.64. The purpose of sheet 12 of the exhibit is simply a detail of the operating expenses of the company by months for the ten-month period 1920. That is shown on sheet 11 in one item and detailed on sheet 12. That is in compliance with the blank that the Commission described in their last Order. Sheets 14 to 23 for the year 1921; 24 to 33 for the year 1922 and sheets 34 to 43 for the year 1923, contained corresponding data for those respective years, except that it is not necessary for those years to make the rather complicated percentage calculations shown in item [fol. 78] 2 of sheet 1 for the ten months of 1920. Also there is a variation in the index numbers to take care of rise and fall in prices and values. The investment account, of course, also varies from year to year. The sources from which the figures are taken and other detail for later years are the same as for the ten months of 1920 with respect to which I have just testified. (Tes. 47-49).

I have prepared a series of statements for the St. Louis & O'Fallon covering 30 sheets, following a coures substantially similar to that pursued with respect to the Manufacturers' Railway Company. That is the exhibit introduced as No. 3.

In the compilation of various valuation figures embraced within these several exhibits, the effort throughout has been

to arrive at what might be termed a minimum fair value. In the coures of my studies, equation factors considerably higher than those which I have used and which were apparently well supported, were brought to my attention, but throughout our studies we have used the lower figures with the idea that if the valuations thus suggested as minima were not fair to the respondents the Commission would make the proper revisions. We have used the lowest figures obtainable from authentic sources. Only in a general way have I given any thought to the idea of market value.

[fol. 79] If we should capitalize earnings of the O'Fallon its value would vary with each respective recapture period. For instance, the O'Fallon in the 10 months period shows $188,199.82 net railway operating income. Roughly speaking, that capitalized at 6 per cent for the ten months would make about $3,760,000. In 1921 it shows a net railway operating income of $128,962.81, which capitalized at 6 per cent would be $2,147,000 odd. These are just rough figures. 1922 shows a net railway operating income of $124,577, which would capitalize at about $2,076,000 and a fraction over. In 1923 the net railway operating income was $149,115, which would capitalize at $2,485,000. Six per cent is the percentage I have used in that. (Tes. 49-50.)

Cross:

The testimony (Tes. 51-55) relating to the installation on the Manufacturers' of electrical equipment, wiring and fixtures is omitted since it is irrelevant.

There was no actual written operating agreement between the O'Fallon and the Manufacturers' at any time within the last ten years. There has been no lease. In each year there has been a separate and independent report to the Commission for the Manufacturers' and the O'Fallon and in none of those reports is there any indication of operation as a single system.

Redirect:

We have made separate accounting reports instead of a consolidated report, because it is the custom of the Commission, as I understand it, to demand a separate report of each corporation independent of any working arrangements

[fol. 80] they may have with each other. We could not have done otherwise. There was no reason in the least why we should have put into any of these reports any reference to a consolidation of the properties or to joint operation. There is nothing in the form of the report which calls for any such information. As to whether the owners of these properties have agreed to their consolidation, I will say it was considered very seriously for a period of several years, but, as Mr. Wright has explained, it has been held in abeyance for some time. I believe the consolidation referred to was acceptable to the owners of the company. That was the outcome of the negotiations with them. There is nothing of record in my possession as Auditor to show that. I had no participation in any negotiations with respect to consolidation.

We have copies of the lease between the St. Louis Refrigerator Car Company and the Manufacturers' showing the terms of the agreement as to refrigerator cars between the two companies.

The arrangement is this: Cars are leased to the Manufacturers' Railway Company who agree to pay a certain rental per car per month to the St. Louis Refrigerator Car Company. That rental depends, to a great extent, upon the earnings of the car. In other words, the Manufacturers' Railway Company does not obligate itself to pay more to [fol. 81] the car company than the cars are earning; so that the rental is placed upon a sliding scale and the trustees of the Refrigerator Car Company can make the amount of the rental each month as circumstances justify. The Manufacturers' Railway Company collects the revenue from the cars from the trunk lines on a per diem basis. They run that per diem collection through their accounts, collect it and set up a reserve account in favor of the Car Company for all the per diem which was earned with respect to those particular cars, and the rental is charged against that reserve account each month. The compensation to the Manufacturers' for handling them is $1,000 per month, and that is included in our account No. 143 'Miscellaneous Revenue' which is a part of the standard return. (Tes. 57-59.)

Recross:

I was not aware that some of the larger system operating reports cover properties owned by a number of railway companies.

We have on the O'Fallon a small piece of track which is used jointly with the East St. Louis & Suburban Railway on a trackage agreement; and on the Manufacturers' there is a little piece of property which is used with the Missouri Pacific. Those are joint trackage agreements. We pay a certain stipulated rental in one case, and collect rental in the other case. They operate over those portions of track with their own power.

They are a part of our property account. The Missouri Pacific is not, because that is Missouri Pacific property [fol. 82] that we pay for, but the East St. Louis & Surburban agreement we include in our property account. (Tes. 59-61.)

I neglected to state that in our description of the lease the full maintenance of these refrigerator cars has to be taken care of by the car company.

In connection with my testimony I stated the amount of cash shown for the Manufacturers' for the year 1920. That was actually on hand December 31. That is a regular rule in compiling our statements. I have taken the amount on hand at the end of each year. As to how that would compare with the average amount on hand during the respective recapture periods: That is $39,000 for 1920. I do not just have them all in my head. I think it would run along about that. We had statements which were made up on request of the Commission and sent in which showed that for each month, and that must be in possession of the people herein Washington, but I haven't it with me now. (Tes. 65.)

(Carriers' Exhibits 1 to 5, inclusive, were here received in evidence.)

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Mr. A. E. Wright, recalled, for the Carriers, testified as follows:

Direct:

On the O'Fallon we have a joint operating agreement with the East St. Louis & Suburban Railway, the East St. Louis Electric System, under which that company uses tracks of the O'Fallon between what is known as French [fol. 83] Village and a junction just about 1¾ miles. Under that agreement the East St. Louis & Suburban pays to the O'Fallon a stipulated amount per month and assumes one-half of the maintenance expense of the jointly used tracks. The East St. Louis & Suburban under that agreement has no authority to operate anything but their electric street cars. On the East St. Louis & Suburban, just east of the junction, are located what are known as the St. Ellen Mine and the Prairie Mine. The O'Fallon turns north from the junction or east thereof all coal produced at those two mines and carries it into East St. Louis where it is delivered to connecting lines. For that transportation service the O'Fallon receives a specified division in cents per net ton.

There is but one small piece of track on the Manufacturers' which is jointly used. To cross-overs owned and maintained by the Missouri Pacific between Arsenal Street and Utah Street under an agreement which we have with the Missouri Pacific, the Manufacturers' is entitled to use without restriction, which enables us to reach what we call our new yard and horn yards and our large river classification yard. These crossovers are between our road into and from the so called north and south bound main lines of the old St. Louis, Iron Mountain and Southern, now a part of the Missouri Pacific on what they term their Oakhill Division. For the use of those tracks the Manufac- [fol. 84] turers' pays the Missouri Pacific $30 a month. That covers all of the joint arrangements. (Tes. 65-67.)

There are no other arrangements between the O'Fallon or the Manufacturers' and other railways for a joint use of property other than track; for example, lands, covered in these statements.

The East St. Louis & Suburban Railway operates a suburban electric system in the city of St. Louis, and the suburban system, which goes to O'Fallon, Illinois, Bluefield, Illinois, Cullensville, Illinois and Alton, Illinois. They have no right whatsoever to operate anything but the elec-

trical equipment, although they do operate east of this point designated as the junction, freight trains and cars, steam power. We have the right to enter their assembly yard at the junction, under which we do our switching, and classifying.

The full value of the track used jointly by the Manufacturers' and the East St. Louis & Suburban is included in our road account. The crossovers belonging to the Missouri Pacific are not included in our road account.

Redirect:

Our wages to all classes of employees, union or non-union, are in absolute conformity to wages and scales paid on the trunk lines and have always been; that is, speaking as of the periods of recapture. The same applies to the earlier period for which comparison is drawn (Tes. 69).

(The Commission's finding in the value of carrier lands, is so close to the carriers' value, that no attack is made in this case on the Commission's said land values, therefore [fol. 85] Mr. Wright's testimony on the value of lands of the Manufacturers',—Tes. 68-75, is here omitted, and for the same reason there will be later omissions from this narrative statement of evidence bearing on land holdings and values).

Recross:

The main line of the Manufacturers' is 5.22, the yard track and siding owned by the Manufacturers' 13.45; leased tracks, 5.15.

Redirect:

About 332 industries are served by the Manufacturers. That is an exact number and includes the industries using the team tracks. About 115 industries are served on private or side tracks. That includes the Anheuser-Busch Brewing Association.

The relation of the Anheuser-Busch, Inc., formerly the Anheuser-Busch Brewing Association and the Manufacturers' has been a matter of very great misconception for years. The Anheuser Brewing Association in no way dominates the Manufacturers', is in no way interested in its

ownership, its control, its management or its operation. The Manufacturers' is owned and controlled by the Adolphus Busch estate. The Anheuser-Busch, Inc., is likewise one of the constituent properties of the Adolphus Busch estate. In no phase of our common carrier relations to Anheuser-Busch are we in any way partial to them to any extent greater than we are to any other industry on the line; as a matter of fact, because of the criticism that has been leveled against us, or falsely predicated, we have leaned over backward, to enforce all the rules and regula- [fol. 86] tions against the Anheuser-Busch to the last letter. For instance, I might cite you to the demurrage accruals for the year 1922. We collected something over $30,000 from Anheuser-Busch in demurrage charges accrued because of a very heavy accumulation of storage coal during the strike. As a matter of fact, again, the Anheuser-Busch, Inc., is probably the one concern against which we assess the highest demurrage charges. In no way whatsoever do they even enter into any of our policies or our management, any of our plans; and there is a distinct understanding that no effort on their part will ever be made to do any such thing. They do not dominate us and they have no interest in the conduct of the affairs of the Railway Company. The fact is that they are absolutely distinct and independent, just the same as any other industry served by the line. (Tes. 75-77.)

With reference to the statement as to a proposed consolidation of the properties of the Manufacturers' and the O'Fallon: The owners of the property subscribed to such a consolidation. The owners and every individual stockholder signed a merger agreement. It has never been finally executed and delivered because, as stated, on account of a visit which we with Mr. Cotter paid to the Commission several years ago. We were advised not to file it and not to press proceedings.

The classification yard of the Manufacturers' between Dorcas, Arsenal and St. George Streets, has a capacity of approximately 5,000 cars of 12 tracks. On that property we have constructed our engine house facilities. This engine house serves for the equipment of the O'Fallon also; [fol. 87] we do all of our locomotive work for both companies in that engine house, with the exception of such

light repairs as we can do in St. Louis for running repairs, but all heavy repairs are done by the Manufacturers'. They do not have engine houses on the east side of the river; they are just locomotive stalls. (Tes. 79-80.)

(A blueprint map, showing the Manufacturers' property, was received in evidence, marked "Wright Exhibit No. 6." (Tes. 80.)

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Mr. Hollis Marsh, called on behalf of the carriers', testified, as follows:

Direct:

I am Chief Engineer for the Manufacturers and the O'Fallon and have occupied that position for 14 years with the Manufacturers and since 1915 for the O'Fallon. I have full charge of all construction work; that is, men in the field, both in the construction and in the maintenance of the two roads, and have charge of the valuation work, that is, taking care of what is known as Order No. 3. I prepared a statement showing in connection with my equation factors the ratio of part of the material prices as of 1920 to 1923, exclusive (inclusive) compared with the costs used by the Commission.

(This statement was offered in evidence on Exhibit 7.)

I have no I. C. C. unit cost but took costs from the Engineering Report submitted in 1917. Then I took the differ-[fol. 88] ent periods of recapture and took our actual purchases of the different classes of material. Those prices there are prices we actually paid during those years for the different classes of material. Then the index figure there is figured for the increase over the unit cost as shown on the Engineering Report as of 1914. We did that same way in each one of the recapture periods for 4 years. They are actual purchases by both roads, the O'Fallon and the Manufacturers', taken from actual Purchasing Department records. (Tes. 86-87.)

Cross:

I took the actual quantities purchased in any one year for each item and averaged it. Take our ties; We bought

on contract for the whole amount that year, at one price. Where there is a blank on my statement means that there were no purchases during that year of that particular material. These figures there on guard rail are for the guard rail complete. We did not buy them on a ton basis. We generally buy those on a piece basis. Then it is reduced to a ton basis. In 1920 for guard rail we paid $26.20 a piece; I would not be able to say how much in money for all. From memory I could not say how many tons of guard rail we bought in 1921.

Taking our purchases of guard rail in 1920, 1921 and 1922: The quantities we purchased were very small; in [fol. 89] proportion to the amount of material we bought; in ordinary proportion to what we buy for our maintenance work. (Tes. 87-89.)

We always buy our rail in carload lots. I think our maximum per year for either of the 3 years 1920, 1921 and 1922 was 2 cars a year. We ordered the 2 cars at once; one car for each railroad. I was not the purchasing agent. My knowledge is not of market conditions but only of what the quantities we bought actually cost us.

In a general way, I have knowledge of the market prices of any of these articles in the market that other carriers were paying during this time; of course you understand a railroad of this size very often in some materials will not buy in large quantities like large railroads, and we have to pay a little premium at the time. The question of that premium does not come within my knowledge.

Taking rail as an illustration: I don't know whether or not during 1920 railroads generally paid higher than $55 a ton for rail. The $63.84 I put down, is what we actually paid—as returned to me by the Purchasing Agent as what he actually had to pay.

[fol. 90] Redirect:

I have prepared a statement showing the actual quantities of materials purchased during these recapture periods; I have a statement showing the quantities that this was made up from, the average price. I have used the total quantities that were purchased during those periods. I have personally compiled this statement. (The statement was offered in evidence as Exhibit 8.)

Recross:

I have no knowledge of what other railroads in the City of St. Louis paid for similar articles during the same period. (Exhibits 7 and 8, previously offered, were received in evidence and marked "Hollis Marsh Exhibits Nos. 7 and 8.)

This material was applied at approximately the same time as purchased: that is, during the year. This supply was bought for the following year. We usually acquired it the first of the year and used it up during that year. (Tes. 90-91.)

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Mr. A. E. Wright, recalled for the carriers, testified as follows:

I am thoroughly familiar with the cost of materials purchased by our companies because the purchasing agent reports to me that I have a copy of every order issued, come to my desk as issued. I am fully informed as to the trend of prices, and to a very large extent, direct purchases of material according to market conditions.

A great many items on this statement and other items of material are bought by us for considerably less than lines in St. Louis are buying. Rail, as every one familiar with prices knows, from the date of the organization of the [fol. 91] United States Steel Corporation until 1919 did not change; it was at a fixed figure of $28 per ton plus freight. The rail that we purchased for both companies was purchased under standard agreement with the United States Steel Corporation, and those prices were identical with those paid by every other railroad of the United States.

The ties, under our policy we buy from the producers in the state, and inspect them as they are loaded and primarily because of the business contacts of our Roadmaster with one or two of these producers we are thoroughly familiar with price conditions and, likewise, through similar association with other tie contractors and other purchasing agents.

The items of track bolts and track spikes—well, not so true of track spikes—are largely governed by the rail contracts, as it is customary for carriers in purchasing rail to

purchase a specified amount of bolts and angle bars. As a matter of fact, the quotation on rails, track bolts and angle bars, and in some contracts, spikes, are specified in the steel company's agreement. Frogs are assembled devices that are installed in tracks so as to provide for switches and turnouts. They are all purchased, at least by us, from the Elliott Frog & Switch Company, St. Louis. The prices of these materials, other than rail, to which I referred, which are used in connection with rail, do not bear any relation whatever to the price of rail. They are specially assembled and designed appliances, ordered by each individual railroad according to their own needs. The frogs are generally ordered by number, each number specifying a certain angle [fol. 92] of curvature. The cost varies with the weight of rail used and other detailed specifications of individual carriers. (Tes. 92-94.)

We pay a premium for nothing whatsoever. As a matter of fact, our companies uniformly discount all our bills regardless of amounts, and because of that practice in a great many instances we have secured lower prices on a good many commodities.

With the exception of crossing planks, we use very, very little lumber, and that is purchased from a yard on our line in such quantities as we need it. Crossing planks we buy in carload lots. We have not bought any for several years. That is due to the physical characteristics of the land, the fact that the rails are laid in concrete streets, etc.; a very large percentage of our tracks are laid on paved streets. (Tes. 94-95.)

**Cross:**

I am not able from Exhibit 8 to tell where the purchase of Bessemer rail bought by our company in 1920 at a price of $63.84 was made. There was an extreme shortage of rail in the year 1920, and we secured two cars of that Canadian section Algoma Steel Corporation Rail from a certain company in St. Louis. I am not prepared to go on record as to its name. Offhand, I do not know how long the freight haul was on that. As I understand, it was consigned from some point in this country. I do not know what the price was before the freight was added. I may state, and I think I am very safe in asserting this, that this price was lower than the market quotations on American

rail at that time. In the same years we did not buy American rail that we paid for by the gross ton $43 and $48, as [fol. 93] against $63 that we paid for the Canadian section rail; that was in 1922, two years later. From memory, I am not able to give you the market price at St. Louis for rail during any part of 1920. I know that the quotation for rail at the mill during 1920 was not about $44. It was considerably above $60 at the mill, in all parts of the United States. At that time all steel manufactured in the United States, or at least west of the Missouri River, was based on Pittsburgh prices. We did not purchase any of the American market because we could not get it. I can not quote you the precise price that was paid by anybody in the American market but I can get it for you. We did not buy American section rail because we could not get it. (Tes. 95-96.)

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Mr. R. W. Fletcher, called on behalf of the Bureau of Valuation, testified:

Direct:

I am an accountant and Assistant Supervisor of Accounts, Bureau of Valuation. I have been directly connected or associated with the Bureau of Valuation since July 5, 1917. From 1902 to 1906 and from 1907 to June 30, 1917, I was employed in the accounting department of the Oregon Short Line Railroad Company at Salt Lake City, Utah, handling principally disbursements and general accounts. One year was spent in the Freight Accounting Department and thirteen on disbursements and general accounts. During the last five of the eleven years spent in the Disbursements Accounting Office, I was in charge of that office, reporting directly to the Auditor. The last two years' service with the company was spent as [fol. 94] Assistant to the Auditor in conducting examinations and doing other special work assigned by the Vice-President and General Manager and the Auditor.

I am familiar with the organization and work of the Accounting Section of the Bureau of Valuation. The work of the Accounting Section has been done under the authority of Section 19a of the Interstate Commerce Act. (Tes. 97-99.)

The organization of the Bureau of Valuation of the Interstate Commerce Commission includes, amongst other branches, those designated as the Accounting Section, the Engineering Section, and the Land Section, each under the general administration of a Supervisor.

The Accounting Section comprised originally the office at Washington, D. C., under charge of the Supervisor of Accounts, who reported directly to the Director of the Bureau, and five district offices located respectively at Washington, D. C., Chicago, Ill., Kansas City, Mo., San Francisco, Cal., and Chattanooga, Tenn., each of which offices was under the direction of a District Accountant, working under the general supervision of the Supervisor of Accounts. The district offices were abolished and their forces were centralized at Washington, D. C., during 1921, upon termination of the field work.

The forces of the Accounting Section have been recruited from the ranks of this Commission or through the agency of the United States Civil Service Commission. Any re-[fol. 95] cruits from the ranks of this Commission transferred to the Accounting Section as well as any individuals specifically employed by that section were in each and every case subject to the rules, regulations and requirements of the U. S. Civil Service Commission. Each person employed by the Accounting Section has been selected for qualifications and experience that would adapt him for the work to be done.

Field parties were formed at district offices and sent to the offices of the carriers whose properties were subject to valuation. The examiners abstracted from the records of existing carriers and their predecessors to forms designed for the purpose the data bearing upon the original cost of property; upon increases or decreases of stocks, bonds or other securities; in any reorganizations; upon moneys received by the company or its predecessors by reason of its issues of stocks, bonds, or other securities; upon the syndicating, banking and other financial arrangements under which such issues were made and the expense thereof; upon the net and gross earnings of such corporations; and upon the expenditures of all moneys and the purposes for which the same were expended.

For the purpose of the ascertainment and report upon the cost of lands and rights a valuation order designated [fol. 96] Number 7 was served upon the companies. The Accounting Section has verified the amounts reported under the order by check against the records of the carriers and has classified the reported costs according to whether they were found to be supported by accounting records or estimated by the company or otherwise not supported by accounting records.

In order to obtain a report from the companies upon the cost of the machinery and equipment owned or used, valuation order designated Number 8 was served. The amounts returned as costs in response thereto have been verified by the Accounting Section by check against the records of the carriers and have been classified according to whether they were found to be supported by accounting records or estimated by the company or otherwise not supported by accounting records. (Tes. 101.)

[fol. 97] Valuation Order No. 16—"Aids, Gifts, Grants and Donations," was served upon the companies for the purpose of ascertaining the amounts and value of any aid, gift, grant of right of way or donation to the existing companies or to any predecessor thereof, by the Government of the United States or by any State, county, or municipal government, or by individuals, associations, or corporations; also the grants of land by the Government of the United States, or by any State, county or municipal government, and the amount of money derived from the sale of any portion of such grants; the value of the unsold portion thereof at the time acquired and at the present time, and the amount and value of any concessions and allowances to the Government of the United States or to any State, county or municipal government in consideration of such aid, gift, grant or donation. These returns have been checked by examiners of the Accounting Section against the records of the carriers.

Valuation Order No. 20 was served upon the companies for the purpose of receiving from the carriers a report upon the history and organization of the present and of any previous corporation operating the property. The returns in response to this order have been verified by attorneys of the Commission.

Throughout the work the carriers have been invited to cooperate to the fullest extent possible and have been afforded the opportunity of making copies of the schedules prepared by the field examiners. The purpose of this close working arrangement has been to secure the facts [fol. 98] concerning the transaction under review by the examiners. (Tes. 99-102.)

The valuation orders referred to above were issued by the Commission. The schedules prepared by accountants in the field from the records and accounts of the carriers have been carefully reviewed at headquarters and checked against the memorandum reports written by the field accountants summarizing the results of their examinations. Any matters in doubt have been the subject of correspondence with carriers or have been the occasion for further examination of the records.

The returns made by carriers in response to Valuation Order No. 7—Lands, have been reviewed and checked with the records of the Land Section to ascertain what parcels of land or what rights in private lands or in public domain should be added or eliminated. After making any changes required to effect a reconciliation of the records of the two sections, and after preparing a statement of the changes made in the returns of the carriers, the costs that attached to the remaining parcels of land and the rights have been summarized according to the Land Section's determination of ownership and classification of the lands and rights according to use.

The returns made by carriers in response to Valuation Order No. 8—Machinery and Equipment, have been checked with the records of the Engineering Section as to Machinery and equipment inventoried by the carriers. After making any changes necessary to harmonize the records of the two sections, and after preparing a statement of the changes [fol. 99] made in the returns of the carriers, the costs appertaining to the machinery and equipment inventoried have been summarized according to the Engineering Section's classification of such property.

The returns made by carriers in response to Valuation Order No. 16—Aids, gifts, grants and donations, have been checked into the schedules and summarized according to groupings required for the purposes of the work. (Tes. 102-104.)

After all details have been checked and grouped as outlined above, reports have been prepared, so far as practicable, by accountants familiar with the property and the field work done thereon. The reports so prepared have been reviewed and edited so far as practicable, by the District Accountants having jurisdiction over the field work done upon the respective properties.

In the preparation of these reports it has been the policy of the Accounting Section to set out and describe separately any items definitely found to be included in or excluded from a particular account under review, that would be excludible or includible under the classifications promulgated by the Commission in effect for steam roads since July 1, 1914.

The reports so prepared are considered to be the informal reports of the Accounting Section and are forwarded to the office of the Director of Valuation.

It is the practice of the Bureau of Valuation to serve copies of the informal accounting report upon the carrier with a request for a statement as to any informal objec- [fol. 100] tions which they believe appropriate thereto. The carriers receive copies of the informal accounting reports from the Director of the Bureau of Valuation.

The informal protests of the carriers are sent by them to the Director of the Bureau of Valuation, and from that office they are forwarded to the Accounting Section for attention. Each item in the report that is definitely protested is given careful consideration. The schedules prepared by the examiners in the field are reviewed, conferences are held with representatives of the carriers whenever this is thought necessary, carriers are corresponded with for further details or further examinations are made of carriers' records, all for the purpose of ascertaining what changes, if any, should be made in the informal accounting reports.

Whenever it has been found that changes should be made in the informal accounting reports, revised pages have been prepared and sent to the office of the Director of the Bureau of Valuation. Copies of the corrected pages have been forwarded to the carriers from that office. If the Accounting Section decides that no corrections should be made in the informal report the Director is notified of that

fact. The reports as finally revised then become the formal reports of the Accounting Section and are used in connection with the preparation of tentative valuation reports upon the properties. (Tes. 104-106.)

An examination and investigation of the records and books of account of the Manufacturers Railway Company was made pursuant to the program of the Accounting Sec-[fol. 101] tion. The field examination of the Carrier's records and books of account was made in November, 1918. There were reports or conclusions in written form prepared from the examination made of this carrier's books and records. The volume you hand me entitled "Accounting Report of the Manufacturers' Railway Company (of St. Louis) as of June 30, 1917, the Date of Valuation" consisting of several mimeographed pages, the last of which is number 14, is a copy of the formal accounting report as prepared by the Accounting Section in the case of the Manufacturers' Railway Company (Tr. 106).

[The statement referred to was received in evidence and marked "Fletcher Exhibit No. 9.]

An explanation, description and summary of Exhibit No. 9 follows (Tr. 107-111).

An investigation and examination of the records and books of account of the Manufacturers' Railway Company was made for the period July 1, 1927, to December 31, 1923. A field examination of the carrier's records and books of account for such period was made during the month of July, 1924. There were reports or conclusions in written form prepared from the examination of the books of account of this carrier so as to state the facts as of February 29, 1920, as of December 31, 1920, 1921, 1922 and 1923, respectively. The volume you hand me entitled "Supplement to the Accounting Report on the Manufacturers' Railway Company prepared as of June 30, 1917, the Date of Valuation," consisting of several typewritten pages, the last of which is number 14, is a copy of the report in-[fol. 102] cluding the changes during the periods from July 1, 1917, to February 19, 1920, and from March 1, to December 31, 1920, inclusive.

[The document referred to was received in evidence and marked "Fletcher Exhibit No. 10."]

An explanation, description and summary of Exhibit No. 10 follows (Tr. 111-118).

The volume you hand me entitled "Supplement to the Accounting Report on the Manufacturers' Railway Company prepared as of June 30, 1917, the Date of Valuation, extending that Report to December 31, 1921," consisting of several typewritten pages, the last of which is number 12, is a copy of the report including the changes during the period from January 1 to December 31, 1921.

[The document referred to was received in evidence and marked "Fletcher Exhibit No. 11."]

An explanation, description and summary of Exhibit No. 11 follows (Tr. 118-122).

The volume you hand me entitled "Supplement to the Accounting Report on the Manufacturers' Railway Company prepared as of June 30, 1917, the Date of Valuation, extending that Report to December 31, 1922," consisting of several typewritten pages, the last of which is number 12, is a copy of the report including the changes during the period from January 1 to December 31, 1922.

[The document referred to was received in evidence and marked "Fletcher Exhibit No. 12."]

An explanation, description and summary of Exhibit No. 12 follows (Tr. 122-127).

[fol. 103] The volume you hand me entitled "Supplement to the Accounting Report on the Manufacturers' Railway Company, prepared as of June 30, 1917, the Date of Valuation, extending that Report to December 31, 1923," consisting of several typewritten pages, the last of which is number 13, is a copy of the report including the changes during the period from January 1 to December 31, 1923.

[The document referred to was received in evidence and marked "Fletcher Exhibit No. 13."]

An explanation, description and summary of Exhibit No. 13 follows (Tr. 127-132).

Cross-examination:

When I refer to land classification as partly carrier and partly non-carrier I refer to the land section of the Bureau of Valuation Classification. When it is mentioned that the cash value at the time of certain purchases of land is for considerations other than cash and state that such values or considerations are not known and cannot be defintely determined I do not mean to impute any lack of diligence on the part of the carrier. This statement is equally applicable to all the outlay and tabulations under the classification of investment of road and equipment and is not restricted to lands (Tr. 133-134).

Redirect:

An investigation and examination of the records and books of account of the O'Fallon was made pursuant to the program of the Accounting Section. The work was done during the month of December, 1921. There were reports or conclusions in written form prepared from the [fol. 104] examination made of this carrier's books and records. This volume you hand me entitled "Accounting Report on the St. Louis & O'Fallon Railway Company as of June 30, 1919, the Date of Valuation," consisting of several mimeographed pages, the last of which is No. 9, is a copy of the formal accounting report as prepared by the Accounting Section in the case of the St. Louis & O'Fallon Railway Company.

[The document referred to was received in evidence, marked "Fletcher Exhibit No. 14."] (Tr. 134-135.)

I am familiar with the report marked Exhibit No. 14 which has just been received in evidence. The report just referred to was prepared under the direction of the Accounting Section as a part of its general work. Concerning the pertinent facts which resulted in the preparation of Exhibit No. 14 in the case of this carrier: The informal report of the Accounting Section on the St. Louis & O'Fal-

lon Railway Company was forwarded to the office of the Director of Valuation on May 12, 1923, and copies were served on the carrier from that office. The informal protest of the carrier to the report was received July 5, 1923, and was answered January 23, 1924, in connection with which some minor corrections were made. Later some further corrections were made for the principal purpose of incorporating additional information obtained from the carrier. Copies of the corrected pages were sent to the Director of Valuation.

The report as thus corrected is the formal report of the Accounting Section and will be incorporated as Appendix 2 in the tentative valuation report of this Commission upon [fol. 105] the property of the St. Louis & O'Fallon Railway Company as of June 30, 1919.

The investment of the St. Louis & O'Fallon Railway Company in road and equipment, including land on June 30, 1919, is stated in its records to be $1,005,952.82, comprising the following:

| | |
|---|---|
| Amount recorded as of June 1, 1908, the date the available accounting records were opened, representing the inventory value of the property as estimated by the carrier's civil engineer. The carrier's actual investment in property for the period prior to June 1, 1908, has not been ascertained, owing to the loss of records | $907,804.57 |
| Recorded money outlay, since June 1, 1908 | 98,148.25 |

The original cost to June 30, 1919, of the road and equipment, including land, owned by the St. Louis & O'Fallon Railway Company and used for common carrier purposes, has not been definitely ascertained. The outlays for creating the entire original road, and for improvements for the period to June 1, 1908, have not been ascertained, since no accounting records for the period prior to June 1, 1908, have been obtained.

The data obtained on the outlays by the St. Louis & O'Fallon Railway Company for improving its property from June 1, 1908, to June 30, 1919, are those stated in its investment in road and equipment account, comprising re-

corded money outlay aggregating $98,148.25. (Tr. 135-137.)

From the examination and investigations conducted by the Accounting Section, it is my opinion that the facts contained in the accounting report, Exhibit No. 14, are true and complete to the best of my knowledge and belief. This re-[fol. 106] port does not purport to deal with any facts or circumstances after the carrier's valuation date. It is, however, a correct statement as of June 30, 1919, to the best of my knowledge and belief. An investigation and examination of the records and books of account of the O'Fallon was made for the period July 1, 1919, to December 31, 1923. The field examination of the carrier's records and books of account for such period was made during the month of July, 1924. There were reports of conclusions in written form prepared from the examination of the books of account of this carrier so as to state the facts as of February 29, 1920, and as of December 31, 1920, 1921, 1922, and 1923, respectively.

This volume you hand me entitled "Supplement to the accounting report on the St. Louis & O'Fallon Railway Company prepared as of June 30, 1919, the date of valuation, extending that report to Dec. 31, 1920," consisting of several typewritten pages, the last of which is No. 12, is a copy of the report including the changes during the periods from July 1, 1919, to February 29, 1920, and from March 1 to December 31, 1920.

[The statement referred to was received in evidence, marked "Fletcher Exhibit No. 15."]

I am familiar with the report marked Exhibit No. 15 which has just been received in evidence. The report just referred to was prepared under the direction of the Accounting Section as a part of its general work. (Tr. 137-139.)

Concerning the pertinent facts appertaining to the consists of the investment in road and equipment account and [fol. 107] to the original cost as of February 29, 1920, and as of December 31, 1920, for the O'Fallon: The investment of the St. Louis & O'Fallon Railway Company in road and equipment, including land, is stated in its records to be

$1,014,267.61 as of February 29, 1920, and to be $1,020,987.42 as of December 31, 1920. The foregoing indicates an increase of $8,314.79 in the balance in the investment in road and equipment account from July 1, 1919, to February 29, 1920, and an increase of $6,719.81 during the period March 1, to December 31, 1920, inclusive.

An examination of the records shows that the balance in the investment in road and equipment account of the St. Louis & O'Fallon Railway Company for the period July 1, 1919, to December 31, 1920, should be increased by $3,653.02 for reasons stated in Exhibit No. 15.

If the investment in road and equipment account were corrected to the extent indicated, and if all items then contained in the account were taken at their recorded amounts, the balance as of December 31, 1920, would be increased to $1,024,640.44, comprising the following:

For the period prior to March 1, 1920:

| | |
|---|---|
| Amount recorded as of June 1, 1908, the date the available accounting records were opened, representing the inventory value of the property as estimated by the carrier's civil engineer. The carrier's actual investment in property for the period prior to June 1, 1908, has not been ascertained, owing to the lack of records | $907,804.57 |
| Recorded Money outlay, including $362.15 for property not placed in service until some time during the last ten months of 1920 | 106,532.93 |
| [fol. 108] For the period March 1 to December 31, 1920, inclusive: | |
| Recorded money outlay | $11,649.10 |
| From which should be deducted whatever portion, not definitely determinable, of the above outlays that represents property retired, credited at | 1,346.10 |

The original cost to February 29, 1920, and to December 31, 1920, of the road and equipment, including land, owned by the St. Louis & O'Fallon Railway Company and used for common-carrier purposes has not been definitely ascertained. The outlays for creating the entire

original road, and for improvements for the period to June 1, 1908, have not been ascertained, since the accounting records for the period prior to that date have not been obtained.

The date obtained on the outlays by the St. Louis & O'Fallon Railway Company for improving its property from June 1, 1908, to December 31, 1920, are those stated in its investment in road and equipment account as revised, summarized as follows:

For the period prior to March 1, 1920:

| | |
|---|---|
| Recorded money outlay | $106,170.78 |

For the period March 1 to December 31, 1920, inclusive:

| | |
|---|---|
| Recorded money outlay | $12,011.25 |
| From which should be deducted whatever portions, not definitely determinable, of the above outlay that represents property retired, credited at | $1,346.16 |

[fol. 109] The above outlay for the period prior to March 1, 1920, does not include, while the outlay for the period March 1 to December 31, 1920, does include charges aggregating $362.15 recorded during the former period that applied to property placed in service during the latter period. (Tr. 139-141.)

From the examination and investigations conducted by the Accounting Section, it is my opinion that the facts contained in the accounting report, Exhibit No. 15, are true and complete to the best of my knowledge and belief. This volume you hand me entitled "Supplement to the accounting report on the St. Louis & O'Fallon Railway Company prepared as of June 30, 1919, the date of valuation, extending that report to December 31, 1921," consisting of several typewritten pages, the last of which is No. 10, is a copy of the report including the changes during the period from January 1 to December 31, 1921.

[The statement referred to was received in evidence, marked "Fletcher Exhibit No. 16."]

I am familiar with the report marked Exhibit No. 16 which has just been received in evidence. The report referred to was prepared under the direction of the Accounting Section as a part of its general work. Concerning the pertinent facts appertaining to the — consists of the investment in road and equipment account and to the original costs as of December 31, 1921, for the O'Fallon: The investment of the St. Louis & O'Fallon Railway Company in road and equipment, including land, as of December 31, 1921, is stated in its records to be $1,139,309.02, indicating an increase of $118,321.60 in the balance in the investment in road and equipment account for the calendar year [fol. 110] 1921.

An examination of the records shows that the balance in the investment in road and equipment account should be decreased by $137.59, for reasons stated in Exhibit No. 16. (Tr. 141-143.)

If the investment in road and equipment account were corrected to the extent indicated, and if all items then contained in the account were taken at their recorded amounts, the balance would be decreased to $1,139,171.43, comprising the following:

| | |
|---|---|
| Amount recorded as of June 1, 1908, the date the available accounting records were opened, representing the inventory value of the property as estimated by the carrier's civil engineer. The carrier's actual investment in property for the period prior to June 1, 1908, has not been ascertained, owing to the lack of records | $907,804.57 |
| Recorded money outlay | 234,512.30 |
| From which should be deducted whatever portion, not definitely determinable, of the above outlay that represents property retired, credited at | $3,145.44 |

The original cost to December 31, 1921, of the road and equipment, including land, owned by the St. Louis & O'Fallon Railway Company and used for commmon-carrier purposes has not been definitely ascertained. The outlays for creating the entire original road, and for improvements for

the period to June 1, 1908, have not been ascertained, since the accounting records for the period prior to that date have not been obtained.

The data obtained on the outlays by the St. Louis & O'Fallon Railway Company for improving its property from June 1, 1908, to December 31, 1921, are those stated in its [fol. 111] investment in road and equipment account, as revised, summarized as follows:

| | |
|---|---|
| Recorded money outlay | $234,512.30 |
| From which should be deducted whatever portions, not definitely determinable, of the above outlay that represents property retired, credited at | $3,145.44 |

From the examination and investigations conducted by the Accounting Section, it is my opinion that the facts contained in the accounting report, Exhibit No. 16, are true and complete to the best of my knowledge and belief. This volume you hand me entitled "Supplement to the accounting report on the St. Louis & O'Fallon Railway company prepared as of June 30, 1919, the date of valuation, extending that report to December 31, 1922," consisting of several typewritten pages, the last of which is No. 10, is a copy of the report including the changes during the period from January 1 to December 31, 1922.

[The statement referred to was received in evidence, marked "Fletcher Exhibit No. 17."] (Tr. 143-145.)

I am familiar with the report marked Exhibit No. 17 which has just been received in evidence. The report just referred to was prepared under the direction of the Accounting Section as a part of its general work. Concerning the pertinent facts appertaining to the — consists of the investment in road and equipment account and to the original cost as of December 31, 1922, for the O'Fallon: The investment of the St. Louis & O'Fallon Railway Company in road and equipment, including land, as of December 31, 1922, is stated in its records to be $1,141,128.08, indicating an increase of $1,819.06 in the balance in the investment [fol. 112] in road and equipment account for the calendar year 1922.

An examination of the records shows that the balance in the investment in road and equipment account should be decreased by $137.59 for reasons stated in Exhibit No. 17.

If the investment in road and equipment account were corrected to the extent indicated, and if all items then contained in the account were taken at their recorded amounts, the balance would be decreased to $1,140,990.49, comprising the following:

| | |
|---|---|
| Amount recorded as of June 1, 1908. The date the available accounting records were opened, representing the inventory value of the property as estimated by the carrier's civil engineer. The carrier's actual investment in property for the period prior to June 1, 1908, has not been ascertained, owing to the lack of records | $907,804.57 |
| Recorded money outlay | 238,053.86 |
| From which should be deducted whatever portion, not definitely determinable of the above outlay that represents property retired, credited at | $4,867.94 |

The original cost to December 31, 1922, of the road and equipment, including land, owned by the St. Louis & O'Fallon Railway Company and used for common-carrier purposes has not been definitely ascertained. The outlays for creating the entire original road, and for improvements for the period to June 1, 1908, have not been ascertained, since the accounting records for the period prior to that date have not been obtained.

The data obtained on the outlays by the St. Louis & O'Fallon Railway Company for improving its property [fol. 113] from June 1, 1908, to December 31, 1922, are those stated in its investment in road and equipment account, summarized as follows:

| | |
|---|---|
| Recorded money outlay | $238,053.86 |
| From which should be deducted whatever portions, not definitely determinable, of the above outlay that represents property retired, credited at | $4,867.94 |

From the examination and investigations conducted by the Accounting Section it is my opinion that the facts contained in the accounting report, Exhibit No. 17, are true to the best of my knowledge and belief. (Tr. 145-147.)

This volume you hand me entitled "Supplement to the acounting report on the St. Louis & O'Fallon Railway Company prepared as of June 30, 1919, the date of valuation, extending that report to December 31, 1923," consisting of several typewritten pages, the last of which is No. 10, is a copy of the report including the changes during the period from January 1, to December 31, 1923.

[The statement referred to was received in evidence, marked "Fletcher Exhibit No. 18."]

I am familiar with the report marked Exhibit No. 18 which has just been received in evidence. The report just referred to was prepared under the direction of the Accounting Section as a part of its general work. Concerning the pertinent facts appertaining to the — consists of the investment in road and equipment account and to the original cost as of December 31, 1923, for the O'Fallon: The investment of the St. Louis & O'Fallon Railway Company in road and equipment, including land, as of December 31, [fol. 114] 1923, is stated in its records to be $1,114,444.63, indicating a decrease of $26,683.45 in the balance in the investment in road and equipment account for the calendar year 1923.

An examination of the records shows that the balance in the investment in road and equipment account should be decreased by $137.59 for reasons stated in Exhibit No. 18.

If the investment in road and equipment account were corrected to the extent indicated, and if all items then contained in the account were taken at their recorded amounts, the balance would be decreased to $1,114,307.04, comprising the following:

| | |
|---|---|
| Amount recorded as of June 1, 1908, the date the available accounting records were opened, representing the inventory value of the property as estimated by the carrier's civil engineer. The carrier's actual investment in property for the period prior to June 1, 1908, has not been ascertained, owing to the lack of records | $907,804.57 |
| Recorded money outlay | 244,204.60 |
| From which should be deducted whatever portion, not definitely determinable, of the above outlay that represents property retired, credited at | $37,702.13 |

The original cost to December 31, 1923, of the road and equipment, including land, owned by the St. Louis & O'Fallon Railway Company and used for common-carrier purposes has not been definitely ascertained. The outlays for creating the entire original road, and for improvements for the period to June 1, 1908, have not been ascertained, since the accounting records for the period prior to that date have not been obtained.

The data obtained on the outlays by the St. Louis & O'Fal- [fol. 115] lon Railway Company for improving its property from June 1, 1908, to December 31, 1923, are those stated in its investment in road and equipment account, summarized as follows:

| | |
|---|---|
| Recorded money outlay | $244,204.60 |
| From which should be deducted whatever portions, not definitely determinable, of the above outlay that represent property retired, credited at | 37,702.13 |

From the examination and investigation conducted by the Accounting Section it is my opinion that the facts contained in the accounting report, Exhibit No. 18, are true and complete to the best of my knowledge and belief. (Tr. 147-150.)

**Mr. CARL C. WITT, called on behalf of the Bureau of Valuation, testified:**

**Direct:**

I am a civil engineer. My present professional assignment is Supervising Engineer, Bureau of Valuation, Interstate Commerce Commission. I have been associated with the Engineering Section of the Bureau of Valuation *with the Engineering Section of the Bureau of Valuation* continuously since August 1, 1913. (Tes. 150-151). As to a brief outline of my training and experience prior to my association with the Bureau of Valuation: Graduate engineer with the degree of B. S. M. E. awarded by Purdue University. Fifteen years' practical experience in designing and construction work up to 1907. I am also a member of the American Society of Civil Engineers. Prior to coming with the Interstate Commerce Commission I was Chief Engineer of the Railroad Commission of South Dakota from December 1907, to May, 1911, after which I was Chief [fol. 116] Engineer of the Kansas Public Utility Comission from May, 1911, to August 1, 1913. The nature of the work included within the scope of my previous answer consisted of the appraisal of steam and electric carriers, electric light and power plants, telephone properties, etc., together with the preparation of exhibits, and the giving of testimony in rate proceedings. I am familiar with the organization and conduct of the work of the Engineering Section of the Bureau of Valuation since its creation. The following is a description of the organization of the Engineering Section from its inception down to the present time: An Engineering Board composed of five members, one member from each of the five districts constituted the general administrative organization incident to the engineering work of the Bureau. The individual districts each had one district engineer, one assistant district engineer, branch heads, one for each specialty such as mechanical work, bridges, signals, etc., 12 roadway filed parties and two to six parties in each of the specialized lines. The office force was composed of the administrators and computers, tabulators, etc. These five districts continued to function as such until

November 1, 1921. Effective as of November 1, 1921, the district organizations were abolished and the work concentrated in Washington. The organization from that time to the present has consisted of one supervising engineer, branch heads and the appropriate office force of computers, tabulators, etc. (Tes. 151-152.)

This is the general method of conducting the field inventory by the Engineering Section:

The different features incident to the physical property of [fol. 117] the carriers were inventoried by separate parties, especially qualified for that purpose. These parties were designated as roadway parties consisting of about ten men under the immediate direction of an assistant field engineer. The bridges were inventoried by a special party designated as the bridge party. The buildings were similarly handled. The other special features incidental to mechanical signal, telephone and telegraph items were each handled by a special party designataed by its appropriate name. Each of these parties were accompanied by one or more engineers, representing the carrier, who were generally termed pilot engineers.

The office work based upon the results of the field inventory which I have just described consists of the computation and collection of quantities by valuation sections, application of prices, extension into sums of money and assembling of the data in report form. The general method by which the several unit prices were obtained to be applied to the items inventoried was by studies of actual costs incurred in construction based on contracts, specifications, carriers' records, returns to valuation orders issued by this Commission, as well as reference to manufacturers' catalogues, etc. (Tes. 152-153.)

Where the state of the carriers' records permitted preinventory data or other records were furnished when and as requested by the bureau. Pilot engineers in conjunction with computers verified the items inventoried on all of the carriers' property of which they had knowledge or record. The field computations were checked by carriers' computers in the interests of greater accuracy. As a consequence of the survey just described a preliminary engineering report resulted. It was the practice of the Bureau of Valuation to serve copies of the engineering report upon the carrier

with a request for a statement as to any objections which [fol. 118] they believed appropriate thereto. The practice of the Engineering Section with reference to disposing of the carriers' objections to the engineering report is to have conferences to enable carriers' representatives to present pertinent data in support of their objections. (Tes. 153-154.)

After reviewing the carriers' objections to the engineering report, if warranted, there was a revision of the facts as recorded in the preliminary engineering report, which I know was prepared and served upon the carrier in this proceeding. I have had an opportunity to familiarize myself with the engineering report prepared and served upon the Manufacturers.

(Exhibit 19—Engineering Report on the Manufacturers' as of June 30, 1917, was offered by the Bureau of Valuation and received in evidence.)

The property of this carrier was inventoried at various times by the several parties which I have heretofore enumerated. The roadway work was completed September 1917,—the bridge inventory was completed April 1918—the building inventory was completed April 1918—and the mechanical inventory was completed October 1920.

The preliminary engineering report was served on the carrier under date of October 13, 1922. No objections to the engineering report have been filed by the carrier. To the best of my knowledge and belief the engineering report, Exhibit No. 19, embodies a true and complete statement of the physical property of the carrier here under consideration, as of June 30, 1917. In conformity with the practice adopted and approved by the Interstate Commerce Commission, this engineering report is a statement of quanti- [fol. 119] ties as of the carrier's valuation date, with prices normal as of 1914. This report as it now stands does not purport to state quantities subsequent to June 30, 1917, nor prices subsequent to 1914, and may be described as a basic valuation engineering report founded upon an actual field inventory without modifications or changes in quantities or prices to bring the data down to a period of time later than the two dates mentioned (Tes. 156-157).

(Exhibit 20—Engineering Report on the O'Fallon as of June 30, 1919, was offered by the Bureau of Valuation and received as evidence.)

That is a true and correct copy of the data on file in our office as a result of the engineering investigation of the property of the O'Fallon as of June 30, 1919. What I have said with reference to the report pertaining to the Manufacturers is equally applicable to the report on the O'Fallon, with the exception of the dates on which the field work was done. (Tes. 157-158.)

The price date is June 30, 1914.

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Proceedings on October 2, 1924

Mr. Louis Hood, called on behalf of the Bureau of Valuation, testified:

I am a civil engineer. At present I am report engineer for the engineering section of the Bureau of Valuation. I have been associated with the Bureau of Valuation since January, 1914. I studied civil engineering at the University of Cincinnati, leaving there in June 1904, to begin work with the L. & N. Railroad as a levelman on location on the line between Knoxville, Tenn., and Atlanta, Ga. When construction work began in September, I was made Assistant resident engineer which position is commonly known as instrumentman, of the first 14 miles residency, south of Knoxville, and remained until job was completed, track laid, etc., [fol. 120] October 1, 1905. I left the L. & N. the first of October, 1905, to accept a position as Transitman on location in the Smoky Mountains of North Carolina for the Southern Ry., remaining in this position until December 1, 1905, when I was made a resident engineer on construction work out of Knoxville. I remained on construction work as resident engineer, in vicinity of Knoxville, until January 1, 1906, when I was transferred to Chattanooga and put in charge of first residency on line known as Stevenson Extension. This residency included construction of double track tunnel through Lookout Mountain, Chattanooga, and much other heavy work. This was about 12 miles long. (Tes. 161-162.)

I left the Southern Ry. when work was closed down during the panic, spring of 1908, and accepted a position with the Southern Pacific in Old Mexico on location work. I resigned from this position in January, 1909, to accept a posi-
[fol. 121] tion as assistant engineer for the Southern Pacific, Atlantic System, with headquarters at Houston, Tex. My first work with these lines was in charge of re-survey parties, I being assigned to the right-of-way department. I continued on this kind of work until the so-called Harriman lines started valuation work when I was given charge of the land valuation of these lines with the exception of the H. & T. C. and H. E. & W. T. My next work with this system was that of buying right of way, preparation of contracts and leases, securing of ordinances, preparation of estimates for proposed new treminals, etc. (Tes. 162-163).

I left the Southern Pacific Lines to accept a position with the Interstate Commerce Commission, in January, 1914, and was appointed assistant field engineer and placed in charge of a roadway party on the Kansas City Southern. I was promoted in September, 1915, to field engineer and had charge of from 4 to 6 roadway parties. I continued in this capacity until January 1, 1920, when I was appointed assistant district engineer of the western district with headquarters at Kansas City, Mo. I continued in this position until the consolidation of the various districts at Washington in November, 1921, when I was made report engineer and placed in charge of the report branch, which position I am still holding.

I have prepared a statement showing cost of reproduction less depreciation of the properties of both carriers in
[fol. 122] this case based upon 1914 unit prices and quantities as of December 31, 1920, 1921, 1922, 1923. In order to prepare these reports so that same would reflect the true condition of the property on the various years ending December 31, we secured from our Order No. 3 Branch of the Accounting Section of the Bureau of Valuation, statement of adjustments; by this I mean additions and retirements. These adjustments were then forwarded to our various branches for incorporation with the engineering report prepared upon this road. The branches then prepared new pencil sheets showing the adjusted quantities which reflected the true condition of the property on the dates above

referred to and returned the pencil sheets to my branch for computations. Our machine operators then computed the quantities and established new values for the recapture periods based upon 1914 prices. On completion of this step of the work summaries were made up by accounts for valuation sections if necessary, together with a grand summary which would show the various classifications of property owned and used if there were various classes comprising this property. These summary pages were then incorporated into a so-called report which included a map showing the location of the property together with a small explanation text describing the road and giving general information regarding same. (Tr. 163-164.)

[Counsel for the Bureau of Valuation offered as an exhibit, a pamphlet marked "Engineering Report upon Manu-
[fol. 123] facturers' Railway Company, St. Louis, Recapture Reports, Years 1920, 1921, 1922 and 1923; Prices as of June 30, 1914." The exhibit referred to was received in evidence and marked "Exhibit No. 21 witness Hood.]

The same character of document for the O'Fallon entitled "Engineer's Report upon St. Louis & O'Fallon Railway Company, Recapture Reports, Years 1920, 1921, 1922 and 1923; Prices as of June 30, 1914," was offered by counsel.

[This exhibit for the O'Fallon was received in evidence as "Exhibit No. 22 witness Hood."] (Tr. 165.)

Our branches while incorporating or adjusting units of property for the recapture periods, in addition, continued to depreciate in accordance with Memorandum No. 226, and these instructions as contained in this Memorandum have been strictly adhered to with the possible exception of such accounts as ties and timber in Account No. 6, where we have not gone below 50%. As a rule such items of property have reached a uniform state or renewal.

To show the increases in prices over our prices of June 30, 1924, for the average period of 1920 I have prepared an index number for the roads exclusive of Accounts 2-Land. [fol. 124] The Manufacturers' Railway Company index for 1920, the road as a whole exclusive of account 2, is 214. For the St. Louis & O'Fallon for 1920 the index is 230.

We have prepared a similar trend figure for the average year 1921, and the index is for the road as a whole, exclusive of account 2, land, for the Manufacturers, 191, and the O'Fallon, 195. We have prepared a similar trend figure for the average year 1922, and the index for the road as a whole, exclusive of account 2, land, for the Manufacturers, 165; for the O'Fallon, 157. We have prepared a similar trend figure for the average year 1923, and the index for the road as a whole, exclusive of account 2, land, Manufacturers, 181; for the O'Fallon, 174. We have given these trends or index figures for the benefit of the Commission to enable it to give consideration to the increases in prices of the recapture periods over the prices of June 30, 1914. (Tes. 165-166.)

We obtained our information and data upon which we base our findings as to the trend of prices from 1914 to the recapture periods to which I have applied them from various sources. Order 14 furnished by various carriers, Bureau of Public Roads, Bureau of Tariffs, Bureau of Labor, Department of Commerce, Engineering News, Iron Age Magazine, Manufacturers of various kinds, etc. I have examined the exhibit tendered by the carriers yesterday in which there was a statement of compilation of the [fol. 125] trend of prices only in a general way; I have not given it an exhaustive study.

Taking the item of rails in that exhibit, I have comment to make upon the price of rails as therein set forth for only the year 1920. I think the gentleman who testified evidently was a little misinformed about that he was quoting. He evidently was talking about the purchase when he mentioned $63, which must be a special rail, a girder rail, which is a heavier rail weighing—I think they have on their tracks some of them 141 pounds per yard, and some 154. Our original engineering report that rail at $53.40, which, if he paid $63.84, would make his trend only run about 115 or 16 instead of 213. I think what he has done for the past year there he is applying $63 back against our $29.90, which we allowed him on the Bessemer rail, instead of against the special rail which was priced at $53 and some odd cents. The 1921 and the 1922 prices are about in line with what he could have bought at, around 43 and 44 dollars.

As to what effect upon the percentage of increase the application of that $63 price would have: For that one account, for instance, our trend on rail at the mill is 156 over 1914 price, against their exhibit of 213. I am talking about 1920. I said we found no criticism with your 1920 and 1921. As far as that miscalculation, if it is such, would effect the entire road, it would be very small. I [fol. 126] have had no opportunity to verify any of the other prices on that tabulation. The only thing that I notice there that had the same trend for several accounts, when as a matter of facts there must have been some fluctuation as between the two. The average was possibly about the same as ours. (Tes. 167-169.)

Cross:

I regarded the sources from which I obtained our index figures as authentic, as nearly as it is possible to get them. I said I got some of my information from the Department of Commerce, some from the Iron Age, etc. Regarding steel bridges, mainly I obtained the prices from the Iron Age. In other words, we give consideration to all those things. More particularly we rely on order 14, what the carriers pay for them. That is the large carriers. Order 14 is where the carrier reports to the Commission their purchases for certain years. It is an order issued by the Commission.

It is true that order 14 covers only purchasers in excess of a certain figure. It is supposed to have been your five largest purchasers during any one particular year. Ordinarily most carriers report as a rule all of their purchases. I do not know if you have made any returns under order 14. I am not familiar with your O'Fallon out there. I have been over your Manufacturers around in that vicinity many times. I have only been out in the same territory as the O'Fallon.

Speaking of the standard prices, it is a fact that on a [fol. 127] road like the Manufacturers' the trend might be different from that it is on a big trunk line. I do not know that it might be considerably higher. I do not know whether it would be higher or not; I just said it might be. It might be less. As to how it could be less: I heard one of your witnesses yesterday say you buy ties cheaper

than anybody else around there. And I think that is verified by your correspondence we had with you which we disregarded and used the average that the big carriers were paying and give you the benefit of the doubt that you were in error and did not think you could buy ties that cheap. I have not studied that, to say that outside of ties I know of any item that you buy that is cheaper than the corresponding item bought by the trunk lines. (Tes. 170-171.)

With respect to the trend of railroad material prices and railroad labor costs as compared with the trends of other industries: I don't think that other industries enter into it. We are not talking about other industries; we are only dealing with railroads. The fact that I testified that we got some information for these index figures from the Department of Commerce, Iron Age, etc., which include the trend of prices for all industries, is no sign that we used it; I said we considered all those things. I do not mind telling you how we compiled our figures. Take account 8: We used order 14 strictly for carriers other than yours. Take the steel ties, for instance: We got [fol. 128] our information from the U. S. Steel Corporation by correspondence, what steel ties were selling at in various years. Take treated cross ties: We relied pretty much on what the Frisco and the Pennsylvania paid for them during the recapture period, and did not use your annual report. Bridge and switch ties we relied on order 14 of the big roads. Account 9 we relied on order 14 from big roads. Account 10 the same thing, although we have various indices comprising various materials in account 10. When I say various indices I mean that a frog might have one index and a guard rail another, or a tie still another, or rail brace another, or switch stand; they are not always the same. In referring to order 14, I said something about the 5 major purchases. To explain that: A road sometimes buys some odd lots and pays a premium on them, because they are small quantities. We were simply concerned with the large purchases because we were reproducing the railroad as a whole, and we could naturally buy the entire quantity which is on the road at the date we are talking about, and we have no occasion

to buy little job lots. It was the five largest purchases under each of those accounts for each year. (Tes. 172-174.)

I do not think that there is any question that there is quite a variation in the prices of railroad commodities dependent upon the quantities that are purchased, unless you might have a standard contract where you could get a [fol. 129] carload of this today and another carload tomorrow and something else next week. We have considered all those things in compiling these index figures. With respect to the item of rail for 1920, I did not check the actual price paid for that rail from the manufacturers. When I testified a minute ago I said that I thought that that man was talking about that girder rail rather than the ordinary Bessemer rail, and that he probably applied that price paid for the girder rail to what was set up in the engineering report for Bessemer and got his high trend. I did not say it was a fact. Girder rail is a special. It is set up in the engineering report $53.40, where we set up Bessemer rail at $29.90. It is always true that this special girder rail is a more expensive product than the ordinary rail. Most roads do not have girder rail.

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Mr. A. A. McEntee, called on behalf of the Bureau of Valuation, testified:

Direct:

I am a civil engineer. At present I am senior civil engineer in immediate charge of the Additions and Betterments Branch, Accounting Section, Bureau of Valuation. I have been associated with the Bureau of Valuation since September 1, 1915. As to my training and experience in engineering and related matters previous to coming to the Bureau of Valuation: University graduate with degree in civil engineering. From February, 1905, to September 1, [fol. 130] 1915, I was employed by various carriers, including the New York Central, the Virginian, and the Chicago & Northwestern, occupying positions from rodman to assistant engineer in charge. The work included construction, maintenance, valuation, the analyzing of construction costs, and the preparation of addition and betterment

estimates from an engineering and an accounting standpoing. My work with the Chicago & Northwestern of analyzing construction costs and the preparation of estimates for additions and betterments required familiarity with the accounting rules of the Commission, and ability to make correct distributions as between capital account and operating expenses. I am familiar with the organization of the Accounting Section, Bureau of Valuation, as it relates to the work of the Additions and Betterments Branch. The work of that Branch has been done under the authority of Section 19a of the Interstate Commerce Act. (Tes. 175-177.)

The Additions and Betterments Branch is a subdivision of the Accounting Section, Bureau of Valuation, under the general administration of the Supervisor of Accounts. This branch was originally designated as the Cost Bureau and was a part of the general office of the Bureau of Valuation prior to the abolishment of district offices and the consolidation of the same in Washington in 1921. From the time of its organization the Cost Bureau investigated, analyzed, and prepared cost studies of materials and labor [fol. 131] entering into railroad construction. In 1919 when the Second Revised Issue of Valuation Order No. 3 was made effective the administration of this order was assigned to this Bureau. When the Bureau of Valuation was reorganized in 1921 the Cost Bureau was merged with the Accounting Section and designated as the Additions and Betterments Branch.

Valuation Order No. 3 prescribed a system of records to be maintained by every common carrier, in which there is required to be recorded the physical changes in property with the costs thereof subsequent to valuation date. From the records thus maintained by the carrier annual and semiannual reports of the changes referred to are made to the Commission. The organization comprises an office force located in Washington, D. C., and a force of engineers and accountants in the field. The records of the carrier are reviewed and analyzed by the examiners in the field, who prepare reports thereon in accordance with the methods prescribed by the Accounting Section of the Bureau. A report of the findings is submitted to the Washington office. The report of the field examiners and those made

by the carrier are reviewed in the Washington office by engineers and accountants. After adjusting the debits for additions to and betterments of property to conform with the Commission's accounting principles, and restating quantities and costs for property retired, which were included in the basic inventory, in accordance with the Engineering Report, a statement is prepared showing the debits [fol. 132] and credits by primary accounts of the Commission's Classification of investment in road and equipment for property changes between the date of valuation and the beginning of each recapture period. These amounts are shown as reported by the carrier and as restated. The changes made during each recapture period are indicated in similar manner and separately stated. The debits and credits are likewise summarized by months. A computation is then made for determining the average cost of the changes during each recapture period. (Tes. 177-179.)

The average is determined by weighing the net debit or credit, as the case may be, to the length of time in, or out of, service during the recapture period under consideration. A comparison is made of the net increase, or decrease, reported by the carrier with the amounts restated by the Bureau. The differences are explained in groups according to the character of the exception. The results of the investigation described were reduced to written form.

The exhibit you hand me entitled "Manufacturers Railway Company Statement of Charges and Credits for Additions, Betterments and Retirements of property used subsequent to valuation date, June 30, 1917, applicable to the recapture period ten months ended December 31, 1920," consisting of 5 typewritten pages, is one of the reports to which I have referred.

(The exhibit mentioned was introduced in evidence and marked "Exhibit No. 23, Witness McEntee.")

[fol. 133] (Statement for the calendar year ended December 31, 1921, applicable to the Manufacturers' Railway Company was received in evidence and marked "Exhibit No. 24, Witness McEntee.")

Similar statements were also prepared for the calendar years 1921, 1922 and 1923.

(The exhibit for the calendar year ended December 31, 1922, Manufacturers Railway, was received in evidence and marked "Exhibit No. 25, Witness McEntee.")

(The exhibit for the calendar year 1923 was received in evidence and marked "Exhibit No. 26, Witness McEntee." (Tr. 179181.))

Describing now each exhibit in sufficient detail and referring to the amount of the net changes, to facilitate identification of the records by means of my testimony, and referring to the recapture period—the ten months ended December 31, 1920—and speaking of the Manufacturers: The carrier has reported between date of valuation and the beginning of this period a net increase in the cost of its property of $74,391.38, and for the period March 1, 1920, to December 31, 1920, both inclusive, a net increase of $65,832.60. After restatement by the Bureau the first amount has been decreased to $73,282.17, and the latter amount has been decreased to $5,067.77, resulting in a total reduction in the net amount reported by the carrier of $61,874.04.

For the recapture period calendar year 1921, the carrier has reported between the date of valuation and the [fol. 134] beginning of this period a net increase in the cost of its property of $140,223.98, and for the recapture period only a net decrease of $43,075.96. After restatement the first amount has been decreased to $78,349.94, and the second amount to $37,676.90, resulting in a total reduction in the net amount reported by the carrier of $56,474.98. (Tr. 181-182.)

For the recapture period calendar year 1922, the carrier has reported between the date of valuation and the beginning of this period a net increase of $97,148.02, and for the recapture period only a net increase of $18,322.51. After restatement the first amount has been decreased to $40,673.04, and the second amount has been increased to $18,343.39, resulting in a total reduction in the net amount reported by the carrier of $56,454.10.

For the recapture period calendar year 1923, the carrier has reported between the date of valuation and the beginning of this period a net increase of $115,470.53, and for the recapture period only a net increase of $100,138.21. After restatement the first amount has been decreased to

$59,016.43, and the second amount has been decreased to $62,107.19, resulting in a total reduction in the net amount reported by the carrier of $94,485.12. (Tr. 182.)

The reasons are stated in the exhibits just offered for the reduction of the amounts referred to. The last sheets show in detail an explanation of the differences. To my knowl-
[fol. 135] edge, there has been no discussion of these discrepancies with the carrier.

As to what respect the expenditures shown in these exhibits agree with the figures referred to by Mr. Fletcher in his testimony: These exhibits deal only with projects placed in or retired from service since the date of the physical inventory, June 30, 1917, and insofar as the expenditures on such projects are included in the investment in road and equipment accounts as restated they are in agreement with the charges in regard to which Mr. Fletcher has given testimony. It is pointed out in this connection that under the present classifications of this Commission the investment in road and equipment account as of any particular date included not only the amounts attached to projects completed but those in course of construction as well.

With respect to retirements of property inventoried as of June 30, 1917, these exhibits contain credits that are in agreement with cost of reproduction new figures as stated in the basic inventory of the Engineering Section, whereas the amounts recorded in the investment in road and equipment account are those stated to represent book values. In the testimony given by Mr. Fletcher and the exhibits submitted in connection therewith information has been given as to the charges in the accounts at the close of the recapture period that apply to projects not reported physi-
[fol. 136] cally complete, as well as charges in the accounts subsequent to the close of the recapture period that apply to property placed in service prior thereto. The facts stated in these exhibits are true and correct to the best of my knowledge and belief. (Tr. 182-184.)

Cross-examination:

I do not pretend to be an accountant, although my experience has required thorough familiarity with the accounting rules of the Commission.

Referring to page 4, Exhibit 23, covering the Manufacturers for the 10 months ended December 31, 1920: The two electric locomotives there referred to are retired as of a date different from that upon which they were retired by the carrier for the reason that the last movement of these locomotives was found to be October 16, 1920. The report of our field examiners was to the effect that these locomotives did not move after October 16, 1920. They were not used in transportation service after that date. I presume it sometimes occurs that equipment is laid up for long intervals at a time on the railroads of the country all over the United State and is not retired as of the time it is laid up. As to our authority for changing the retirement date: Our instructions have been to retire all facilities when they have not longer served in common carrier service, whether or not they are held in reserve. If they are again used they will then be put back as additions. As [fol. 137] to what effect that has on the accounts of the intervening years: we are not dealing with the accounts of the carrier in this particular case. (Tr. 184-186.)

This information was compiled under my supervision. I am personally familiar with these respective amounts shown in the items throughout the reports. I checked them myself. (Tr. 187-188.)

Redirect:

Similar to the exhibits last introduced applying to the Manufacturers Railway, the Bureau of Valuation offered an exhibit marked "St. Louis & O'Fallon Railway Company, statement of charges and credits for additions and betterments to and retirements of property subsequent to date of valuation, June 30, 1919, applicable to the recapture period, and for the ten months ended December 31, 1920," an Exhibit for the calendar year ended December 31, 1921, an Exhibit for the calendar year ended December 31, 1922, and an Exhibit for the calendar year ended December 31, 1923, all these last exhibits applicable to the St. Louis & O'Fallon Railway Company."

[The exhibits referred to were received in evidence and marked, respectively, "Exhibit No. 27," "Exhibit No. 28," "Exhibit No. 29," and "Exhibit No. 30, Witness McEntee."] (Tr. 188-189.)

I will state the amounts in order to identify the items. Referring to the recapture period 10 months ended December 31, 1920: The carrier has reported for the date of val- [fol. 138] uation and the beginning of this period the net increase in the cost of its property of $4,301.23, and for the period March 1, 1920, to December 31, 1920, both inclusive, a net increase of $10,561.98. After restatement by the Bureau the first amount has been decreased to $4,132.76, and the latter amount has been increased to $10,759.32; resulting in a total increase in the net amount reported by the carrier of $28.87. For the recapture period calendar year 1921 the carrier has reported between the date of valuation and the beginning of this period a net increase in the cost of its property of $14,863.21, and for the recapture period only a net increase of $114,607.47. After restatement the first amount has been increased to $14,892.08, and the second amount decreased to $112,942.97, resulting in a total deduction in the net amount reported by the carrier of $1,635.63.

For the recapture period the calendar year 1922 the carrier has reported between the date of valuation and the beginning of this period a net increase of $129,470.68, for the recapture period only a net increase of $1,454.42. After restatement the first amount has been decreased to $127,835.05, and the second amount has not been changed, resulting in a net reduction in the net amount reported by the carrier of $1,635.63.

For the recapture period calendar year 1923 the carrier has reported between the date of valuation and the begin- [fol. 139] ning of this period a net increase of $130,925.10, and for the recapture period only a net decrease of $8,042.87. After restatement the first amount has been decreased to $129,289.47, and the second amount has been increased to $8,252.74; resulting in a total reduction in the net amount reported by the carrier of $1,845.50. (Tr. 189-190.)

Where I refer to restatement of these accounts it means a restatement to conform to the accounting rules of the Commission, and also in the case of retirements of property to restate them in the case of property which is inventoried to conform to the units and quantities and the inventoried and applied prices as included in the engineering report. (Tr. 191.)

Mr. ARTHUR S. FIELD, called on behalf of the Bureau of Valuation, testified:

Direct:

I am an economist and statistician. My present position is assistant supervisor of accounts, Bureau of Valuation. I have been connected with the Bureau of Valuation since March, 1918.

From July, 1911, to March, 1918, I was with the Bureau of Railway Economics. Prior to that time several years I was engaged in college teaching. Prior to that I was in the ordinary courses for preparing for college work. In my teaching service in college I was teaching economics.

Since I became assistant supervisor of accounts, there has been prepared a method of determining the working capital in valuation work. Under my immediate attention, [fol. 140] but always after conference and advice with Mr. Willey, the supervisor of accounts, and his staff of accountants, especially on questions involving accounting technique and subject always to Mr. Willey's final approval and instructions, there has been prepared by the Accounting Section of the Bureau of Valuation a method of determining from a carrier's accounts and operating statistics the amount of working capital reasonably held and used by it for common carrier operations. (Tes. 191-192.)

Working capital is understood to include usually three parts, first the investment in stock and material and supplies, second the cash necessary to pay the outlays incurred in connection with common carrier service prior to the time when the cash received in connection with that service was available, and third a buffer fund for cash constantly on hand to cover amply the recurrent and fluctuating deficiencies in the inflow of cash applicable to payments falling due.

Material and supplies: The investment in a stock of material and supplies reasonably held for common-carrier operations is determined on the basis of the carrier's actual stock from month to month during the period for which the ratio of earnings to value is to be determined. This recorded amount is corrected to allow for any scrap or [fol. 141] obsolete material included in the stock; to allow for any part of it that was drawn upon for additions and betterments rather than for repairs, maintenance and the

supplying of operating requirements; and to allow for any abrupt variations in the stock due to special conditions.

Cash to pay expenses in advance of the receipt of revenue: Considering that the cash received in connection with service performed in any particular period usually lags behind the outlays incurred in connection with the service within that particular period, the amount of cash working capital of this sort needed for operating purposes is the amount by which the outlays falling due exceed that part of the accrued cash receipts applicable to all payments to be made, which has been collected, has reached the treasury and has become available for paying bills. (Tes. 192-194.)

In order to make this comparison between the due dates for such payments and the time when the cash applicable to the payments is received, there has been ascertained from the carrier's accounts and operating statistics, on the one hand, the amount of cash received from various sources in connection with its common-carrier service and the elapsed time from the beginning of each class of such service to the receipt of the cash in the treasury. The sources of cash inquired into include ordinarily prepaid [fol. 142] charges on freight forwarded, charges and advances collected on freight forwarded collect or freight carried intermediately between forwarding and delivering lines, the sale of passenger tickets, both local and interline, interline balances receivable on interline passenger tickets issued by foreign lines, and other forms of passenger transportation. If, in any particular case, other sources of receipts are relatively important, those also are included. From these data there has been computed the average elapsed time from the beginning of the various common-carrier services to the dates when the cash received in connection with such services comes to hand and is available to meet payments.

On the other hand, there has been ascertained the amount of cash paid out for various purposes in connection with common-carrier service, and the elapsed time from the beginning of each class of such service until the payments fall due. The purposes of payments inquired into are ordinarily those for replenishing the stock of material and supplies, the payment of wages and salaries, the payment of advances on freight forwarded, the settlement of interline balances payable, and the payment of taxes. If in any particular case, other disbursements are relatively impor-

tant, those also are included. From these data there has been computed the average elapsed time from the beginning of the various common-carrier services to the dates when the payments are made.

Next, comparing the average delay in the receipt in hand of all cash and the average delay in the making of all pay- [fol. 143] ments, there is disclosed whether the cash was received in hand, on the average, ahead of the maturity of payments to be made, or whether payments had to be made for a period before the cash receipts caught up with them. In either case it shows, further, the number of days by which cash receipts anticipated the due dates of payments or lagged behind them. This number of days multiplied by the average daily amount paid gives in the one case the average amount of cash received applicable to payments that was in excess of the payments made, or, in the other case, the average amount of cash that had to be obtained from some source other than receipts to pay expenses until cash receipts come to hand in sufficient volume.

Buffer fund: The third possible element of working capital, namely the buffer fund of cash on hand, is determined from a consideration of the maximum monthly deficit, if there be any deficit at all, in the cumulated receipts applicable to payments. This maximum deficit is fund by comparing the cumulated receipts with the cumulated payments day by day, and noting on what day each month the deficiency, if any was greatest. This deficit indicates by how much, on the day in question, the receipts in hand had to be supplemented by cash from some other source in order to meet all payments on such day. The buffer fund actually used must be something greater than this maximum deficit in order to assure a safe margin of cash to [fol. 144] take care of the actual variations in the deficit, which are leveled off in the computation representing a long period of time. (Tes. 194-196.)

By combining whatever amounts are disclosed as used for common-carrier operations under each of the three divisions of working capital, the total working capital employed is found.

The problem for which this method supplies an answer is an accounting problem and a statistical problem, but mainly it is a statistical problem in which the results of accounting records are worked up according to statistical methods. Computation has been made to determine the

working capital of Manufacturers' and the O'Fallon according to this method.

Starting with the application of it to the Manufacturers' I have available the results of the application of this method to the period March 1 to December 31, 1920, in the form of some exhibits that I can now distribute. I will produce the exhibit that covers the part of the year 1920 in the case of the Manufacturers' and the same for 1921, 1922 and 1923.

(The Exhibits referred to were offered by the Bureau of Valuation and received in evidence, being marked "Exhibits 31, 32, 33 and 34, Witness Field" consecutively, (Tes. 196-197.)

I have a similar set of exhibits showing the results of the application of this method of the determination of working capital applied to the O'Fallon for the years in question.

(The exhibits referred to were offered by the Bureau [fol. 145] of Valuation and were received in evidence, being marked "Exhibits 35, 36, 37, 38, 39 and 40, witness Field" consecutively).

The Witness, resuming: In my opinion the method used by me discloses the amount of working capital reasonably held in use by each of these carriers for common carrier operations. (Tes. 197-198.)

What we will show here is not a judgment as to what should be the amount of working capital, but the amount of working capital that appears in the carrier's record and operating statistics to have been used during this period. Whether that was ample for ordinary times or excessive is another question of argument.

The material and supplies actually used during ten months of 1920 appear to have been about 32,229, which was equal to 14.7 per cent. of the annual rate of operating expenses during that 10 months period. (Tes. 198-199.)

For the year 1921 material and supplies actually used were about $29,965, equal to 10.5 per cent. of the operating expenses for that year.

The year 1922, material and supplies were about $30,367, equal to 13.7 per cent. of the operating expenses for that year.

The year 1923, material and supplies were about $25,962, equal to 9.23 per cent. of the year's operating expenses.

In respect to the elements of cash working capital, it ap-
[fol. 146] pears from the operations of this carrier as conducted and with their practices as to the collection of revenues, that during the 10 months of 1920 there was an average daily deficit in the receipt applicable to the payments of about $8,947.

In the year 1921 there was an average daily deficit of about $13,500. In the year 1922 there was an average daily deficit of about $7,580. In the year 1923 there was an average daily deficit of $3,773. (Tes. 199-200.)

Those amounts indicate the extent on the average to which cash had to be supplied from some other source than the receipts to take care of maturing payments in connection with carrier operations, not including any corporate operations other than carrier.

With respect to the buffer fund, a comparison of the receipts as reported by the carrier day by day for the payments day by day during these respective recapture periods, it shows that the maximum deficit any time during the year 1921 was not over $48,000. I have selected 1921, because that is a year in which the average daily deficit was greatest. That does not mean, however, that a buffer fund of $48,000 was reasonably and necessarily carried throughout the year. It means that for the business done during the year there was a time, not necessarily within that calendar year, when the receipts coming to and from the business done during that year were $48,000 short of the payments to be made in connection with the business done during that year.

[fol. 147] As a practical matter, any prudent management would get along with a much smaller buffer fund than that to meet the average conditions and make temporary loans to tide over this extreme condition.

It should be mentioned here, however, that the Manufacturers Railway Company derives most of its income from operations under switching service, nearly all from switching service, and that according to the statement of the carrier in response to our questionnaire the greater part of the revenue receipts are received in quarterly settlements for carriers, which ties up the availability of the earnings for a very long period, and that accounts for this large

deficit. If all their receipts were received in monthly settlements it would change the results as follows: For the ten months 1920 there would have been a surplus of receipts in hand available for the payments to be made of about $2,327 instead of the deficit I named before. For the year 1921 the deficit of $13,500 would become a surplus of $4,125; that is, an average surplus throughout the year of that amount. For the year 1922 the average daily deficit of $7,580 would become an average daily surplus of $6,275. For the year 1923 the average daily deficit of $3,773 would have been an average daily surplus of $16,274.

With respect to the buffer fund if settlement had been made not less frequently than every month the maximum deficit during the year would have been about $10,509 instead of some $48,000, for the year 1921. (Tes. 200-202.) [fol. 148] The maximum deficit, not over $10,000 for the year 1921. I call attention to these alternative figures because it is a matter of argument always as to whether a carrier's policy especially in making its collections as slowly as the greater part of these are made, is one that can reasonably be supported by the public. We say nothing about that. It is a matter for argument and determination of the Commission. We simply state the figures with the results of each.

Briefly, those are the results arrived at, without any explanation of how they have been reached, for the Manufacturers Railway.

I have not worked out the maximum deficit for each of the other years outside of 1921, partly because of the time consumed and partly because it is clear from the data that it will be less in each of those years than for the year 1921. (Tes. 202-203.)

I get my information that the payment by this carrier for its switching service is made quarterly from a statement made by the carrier in response to a question in the questionnaire that we sent them. That is quarterly yearly.

We asked for each class of operating revenues received, classified according to Commission's classification of operating revenues effective July 1, 1914, accounts 101 to 152 inclusive and 502.

If the carrier meant quarterly *m*onthly, a modification must be made.

I cannot state what effect that will have on these results,

[fol. 149] but it will considerably increase the average daily surplus of receipts applicable to payments for each of the four recapture periods, and in all probability will eliminate entirely this deficit of $10,509 that I computed on the basis of 30-day settlements. (Tes. 204.)

In all probability it would wipe out all these deficits that I have referred to as in 1921, 1922 and 1923.

The modification is very material. (There was inserted a Revised Exhibit 33 showing this modification.)

On Exhibit 32, I think it is numbered, entitled "Computation of average cash for operations" is shown for each of the recapture periods the average amount of cash on hand not required to meet non-operating demands.

It appears that from the data applied by the carrier to its monthly balance of cash on hand and balances in certain other accounts, for the first 10 months of 1920 the average cash on hand was practically all required for non-operating demands.

For the year 1921 the amount in excess of that required for non-operating demands was $61,414 about, which is equal to 21.19 per cent. of the annual operating expenses of that year.

For the year 1922 the average cash on hand not required for non-operating purposes was about $85,678, which is equal to 38.55 per cent. of the year's operating expenses.

For the year 1923 the average cash on hand not required for non-operating demands was about $50,334, which is equal to 17.54 per cent. of the operating expenses for that [fol. 150] year.

I would like to say with respect to this cash balance that it appears in the study of the operating results of carriers that the cash on hand is no indication whatever of the amount of working capital in the sense of an investment of cash to meet working requirements. The reason is that the cash on hand includes ordinarily all the corporate cash not specifically reserved to meet all corporate requirements. It may, as it often does, include the proceeds of loans or the sale of securities temporarily in the treasury until they have been applied to the purpose for which the securities have been issued or the loan made, and then more especially in case a carrier receives the cash arising from its carrier operations in advance of the due dates of the payments to be made in connection with those operations it will have a cash balance on hand that consists of the sur-

plus of receipts and does not represent any investment of cash to meet operating requirements, and therefore cannot be considered as a capital investment.

To determine that in any case whether a carrier is actually using working capital in the sense of an investment that should be supported in the return on its property, one must look further than a mere analysis of the cash balance on hand. (Tes. 205-206.)

If the payment was very near contemporaneous with the date of expenditure, an amount very much less than these percentages which I have given would suffice for working capital. In the case of an ordinary railroad where the receipts are sometimes and ordinarily somewhat delayed [fol. 150a] as compared with the time of the performance and payment for service, percentages as high as 21.09, 38.55, 17.54 would not be required, in my opinion, for working capital. In no case that we have worked yet carriers whose receipts were delayed beyond the due dates of payments has the amount of cash required to meet that lag in receipts been anywhere near such a high percentage of the operating expenses as these are. (Tes. 206-207.)

The results that I read, first, as to the average material and supplies, are based on answers made by the carrier to our questionnaire giving their average monthly balances in the material and supplies account with certain supplementary information enabling us to analyze those balances. With respect to the exhibit showing the average cash for operations, the average are based on information by the carrier showing its monthly balances in the cash account and in certain other accounts representing nonoperating demands and nonoperating offsets.

Exhibit 33, entitled "Comparison of delay in receipts with delays in payments," is based upon data supplied by the carrier, for the most part in answer to our questionnaire and in some part from information in its annual reports to the commission.

In view of what is stated here as to the receipt four times a month of the switching service payments, Exhibit 33 requires very considerable revision. (Tes. 207, 208.) (Permission was requested by bureau's counsel to substitute a revision of Exhibit 33, which was granted by the examiner.)

With reference to the exhibits that relate to working capital for the St. Louis & O'Fallon Railway Company:

[fol. 150b] Exhibit, I think, No. 36 entitled "Computation of average material and supplies for operation," shows that the average amount of material and supplies on hand in excess of the stock drawn upon for additions and betterments is found to be for the 10 months of 1920 about $77,388, which was 19.15 per cent of the annual rate of operating expenses.

For the year 1921 that average stock of material and supply was about $50,760; which was equal to 16.49 per cent of the year's operating expenses.

For the year 1922 the average stock was about $40,263, which was equal to 14.2 per cent of the year's operating expenses.

For the year 1923 the average stock was about $44,259, which was equal to 11.35 per cent of the year's operating expenses. (Tes. 208-209.)

These figures of the usable stock carried on hand are obtained by taking the actual average monthly balance, item No. 2. It is based on the results of the accounts. This is more or less a statistical operation taking the results of the accounting records. This is not based on actual inventory at that time; only carriers' accounts.

Now I would like to call attention to the high percentage these balances bear to the operating expenses. You notice first that that decreases in 1920 to 1923; an examination of the actual monthly balances reported by the carrier shows something like the same sort of a decrease from month to month. That situation raises a question as to whether so large a balance as that found for 10 months of 1920 was all actually used for operating purposes or reasonably and necessarily carried for operating purposes. We have no information in the answers to our question-
[fol. 150c] naire as that questionnaire is framed or otherwise at our disposal to answer that question I am just raising. (Tes. 209-210.)

When I speak of high percentages as compared with the actual operating expenses of the year I mean high in comparison with what is found to be the proper percentage on railroads generally. I am speaking of it relatively. Railroads usually run about 10 per cent. A short line with a certain class of business like this might well vary from that for local reasons. This perhaps ought to be inquired into.

But the carrier has stated in answer to our question in

our questionnaire that most of its material is purchased from St. Louis and delivered in a week from the date of order, the ties, rails and steel plates are received in about 30 days after they are ordered. Those short intervals would tend to reduce the size of the stock necessarily to be carried in order to be always supplied.

It is far from being a case of the carrier isolated from the general market for railroad supplies. These figures I have read show the average amounts actually carried by this company in excess of any amount, portion of it, that could be considered to be held to be drawn upon for additions and betterments. The question still remains whether these amounts are reasonably carried for operating purposes. That is a matter of argument which we have no information to decide as a question of fact. (Tes. 210-211.) [fol. 1588] Coming next to the element working capital consisting of cash, Exhibit 35, entitled "Comparison of delay in receipts with the delay of payments," the answers to our questionnaire disclosed that this carrier's business is mostly freight, practically all freight; but this freight is carried on local way-billing with no interline way-billing involving the delay of interline settlements on freight forwarded; that the charges must be collected promptly at their junction point because it reports no balances due from agents, conductors, and no uncollected freight bills. That is the normal condition. That accounts for the low delay in the receipts shown on the first line of the table on Exhibit 35.

In this first column, delay of receipts 1.19; that means one day and 19 hundredths of a day delay. By delay we mean the average interval of time between the beginning of moving an empty car to the point of loading to the time the money earned on service is received in the treasury. There are no credits extended to this line apparently from the answers to its questionnaire. It states that it has no cash in transit, so there is no time lost on that account. (Tes. 211-212.)

Without going through the details of that exhibit which is supported by the other exhibits, it shows that for the 10 months of 1920 this carrier had its receipts in hand in excess of payments to be made from day to day to the extent of an average daily excess of about $37,251; that for the year 1921 the receipts from service performed that year were in hand in advance of the payments made in

connection with the service performed that year to the amount averaging about $122,214; that on the business of [fol. 150e] the year 1922 these receipts average to be $78,714 ahead of the payments; that for the year 1923 to be about $44,932 ahead of the payments.

This shows that with respect to the first element of cash working capital, that is an amount of cash that must be put up from some source other than receipts from earnings, to pay expenses that may fall due ahead of the receipt of the cash, there was no investment of cash for this purpose.

With respect to the buffer fund it is clear from the size of this average daily excess of receipts over payments as compared with the annual rate of payments appearing in such underlying exhibits, that there would be no way in which the receipts in hand were made up to that day. So the conclusion there is that it was not necessary for this carrier to provide a cash fund from a source other than the receipts from its earnings to take care of the fluctuations in the safety of payments. (Tes. 212-213.)

That leaves them only stock of material and supplies. As to the conclusion I draw from Exhibit 35 and from the investigations which resulted in this computation as to the propriety of an allowance for working capital in cash to the St. Louis & O'Fallon Railway Company:

The results of this compilation of the data based on the carrier's operations show that it did not in fact use any cash working capital. That does not mean that they did not have any cash on hand. This excess of receipts over payments, some part of it presumably was always on hand, not necessarily all of it. They may have disposed of it thinking that they would not need it all.

[fol. 151] The inflow of cash from receipts was sufficient to meet all expenditures without going outside for obtaining any funds for working capital. That is the conclusion. That shows from the data.

I started to say that it appears that from this data the only element of working capital used by the St. Louis & O'Fallon Railway Company during these recapture years was the stock of material and supplies. (Tes. 213-214.)

Now I would like to call attention to the high percentage these balances of material and supplies bear to the operating expenses. You notice first that that decreases in 1920 to 1923: An examination of the actual monthly balances reported by the carrier shows something like the same sort

of a decrease from month to month. That situation raises a question as to whether so large a balance as that found for 10 months of 1920 was all actually used for operating purposes or reasonably and necessarily carried for operating purposes. We have no information in the answers to our questionnaire as that questionnaire is framed or otherwise at our disposal to answer that question I am just raising. (Tes. 209-210.)

When I speak of high percentages as compared with the actual operating expenses of the year I mean high in comparison with what is found to be the proper percentage on railroads generally. I am speaking of it relatively. Railroads usually run about 10 per cent. A short line with a [fol. 152] certain class of business like this might well vary from that for local reasons. This perhaps ought to be inquired into.

But the carrier has stated in answer to our question in our questionnaire that most of its material is purchased from St. Louis and delivered in a week from the date of order, the ties, rails and steel plates are received in about 30 days after they are ordered. Those short intervals would tend to reduce the size of the stock necessarily to be carried in order to be always supplied.

It is far from being a case of the carrier isolated from the general market for railroad supplies. These figures I have read show the average amounts actually carried by this company in excess of any amount, portion of it, that could be considered to be held to be drawn upon for additions and betterments. The question still remains whether these amounts are reasonably carried for operating purposes. That is a matter of argument which we have no information to decide as a question of fact. (Tes. 210-211.)

Coming next to the element working capital consisting of cash, Exhibit 35, entitled "Comparison of delay in receipts with the delay of payments," the answers to our questionnaire disclosed that this carrier's business is mostly freight, practically all freight; but this freight is carried on local way-billing with no interline way-billing involving the delay of interline settlements on freight forwarded; that the charges must be collected promptly at their junction point [fol. 153] because it reports no balances due from agents, conductors, and no uncollected freight bills. That is the normal condition. That accounts for the low delay in the receipts shown on the first line of the table on Exhibit 35.

In this first column, delay of receipts 1.19 means one day and 19 hundredths of a day delay. By delay we mean the average interval of time between the beginning of moving an empty car to the point of loading to the time the money earned on service is received in the treasury. There are no credits extended to this line apparently from the answers to its questionnaire. It states that it has no cash in transit, so there is no time lost on that account. (Tes. 211-212.)

Without going through the details of that exhibit which is supported by the other exhibits, it shows that for the 10 months of 1920 this carrier had its receipts in hand in excess of payments to be made from day to day to the extent of an average daily excess of about $37,251; that for the year 1921 the receipts from service performed that year were in hand in advance of the payments made in connection with the service performed that year to the amount averaging about $122,214; that on the business of the year 1922 these receipts averaged to be $78,714 ahead of the payments; that for the year 1923 to be about $44,932 ahead of the payments.

This shows that with respect to the first element of cash working capital, that is an amount of cash that must be put up from some source other than receipts from earnings, [fol. 154] to pay expenses that may fall due ahead of the receipt of the cash, there was no investment of cash for this purpose.

With respect to the buffer fund it is clear from the size of this average daily excess of receipts over payments as compared with the annual rate of payments appearing in such underlying exhibits, that there would be no way in which the receipts in hand would be insufficient to take care of the payments that were made up to that day. So the conclusion there is that it was not necessary for this carrier to provide a cash fund from a source other than the receipts from its earnings to take care of the fluctuations in the safety of payments. (Tes. 212-213.)

The results of this compilation of the data based on the carrier's operations show that it did not in fact use any cash working capital. That does not mean that they did not have any cash on hand. This excess of receipts over payments, some part of it presumably was always on hand, not necessarily all of it. They may have disposed of it thinking that they would not need it all.

The inflow of cash from receipts was sufficient to meet all expenditures without going outside for obtaining any funds for working capital. That is the conclusion. That shows from the data.

It appears that from this data the only element of working capital used by the St. Louis & O'Fallon Railway Company during these recapture years was the stock of mate-[fol. 155] rial and supplies. (Tes. 213-214.)

Cross:

As to whether it is a fact that the volume of traffic moving over the rails of a carrier may have some effect upon the volume of materials and supplies necessary to be carried to insure continuous operation of the carrier: It would in the effect of the volume of traffic on the wear and tear of the equipment and roadbed, and the amount of fuel required for power.

In the computation of my average material and supplies for operation for the O'Fallon, Exhibit 36, I have given consideration to the relative volume of tonnage over the rails of that carrier as compared with other carriers indirectly, in that whatever effect volume of tonnage has is shown in the amount of the operating expenses. The volume of tonnage is expressed comparatively, according to density of tonnage and analogous effect on operating expenses. That is not considered here, but it would tend to increase in that ratio.

As to whether the volume of tonnage bears some fixed relationship to the level of the operating expenses or the aggregate of the operating expenses: I do not think that that is true. I should not expect it to be true. I should expect that the larger the tonnage the lower relatively operating expenses until your facilities are saturated to the capacity. (Tes. 215-216.)

Working capital is entirely a question of getting money [fol. 156] to pay expenses in anticipation of the receipt of your earnings, and so the amount required is directly in proportion to the amount of the operating expenses compared with the delay in receipt of your revenues. And the amount of earnings is, in turn, necessarily affected by the level of the rates.

I have made no attempt to show what the working capital might reasonably be in my opinion, except within the

limits in this case that it consisted only of stock of material and supplies and that the amount reasonably used may be considered less than the amounts shown, especially in these earlier years.

I do not think that these formulae that I have followed are ordinarily in use by the carriers in determining the amount of working capital. (Tes. 218.)

A railroad commencing operations under the circumstances surrounding the operations of the St. Louis & O'Fallon, including short haul traffic and prompt collections, would have to put up stock and materials and supplies. That is one thing. With respect to cash, if the business could start off at once, as it is now developed, in the volume and character, they would not, because they collect their money so early compared with maturity of the payments, earlier than a new road starting and developing a business would have to where they would have a period in which there would be payments to be made for wages, especially, that would have to be met, and when some money would probably have to be put up for the time being, but as business develops that sum would be entirely retained, entirely released and replaced with the excess of collections [fol. 157] over payments. I mean that would require no permanent investment. (Tes. 219.)

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Mr. Lewis D. McPherson was called as a witness on behalf of the Bureau of Valuation, and testified as follows:

Direct examination:

My name is Lewin D. McPherson; residence, Chicago, Illinois; occupation, attorney, railroad appraiser and railroad right-of-way agent. At present I am Senior land appraised for the Bureau of Valuation.

Concerning my experience in the railroad appraisal and valuation previous to my employment by the Bureau of Valuation: I was right-of-way agent for the Southern Railway for seven years. I examined the titles, negotiated purchases of land for the railroad from the owners, and conducted condemnation cases in connection with acquiring their railroad land. The classes of property my experience with the Southern Railway covered were rural right of way lands through towns and villages, some in the cities and some water front properties on navigable streams. I

first became connected with the Bureau of Valuation on May 1, 1914.

I have not been continuously employed by the Commission since that time. I was with the Commission until August 1, 1920. I resigned at that time. I afterwards in 1923 came back in the employ of the Commission. As to what was my occupation during the interim: From August 1, 1920, to February 1, 1922, I was in charge of the appraisal of the lands of the Chicago, Milwaukee & St. Paul and its [fol. 158] Chicago terminals and in Cook County, Illinois, and from February 1, 1922, to May 8, 1923, I was land appraiser for the Detroit & Toledo Shore Line on its properties in Detroit and between Detroit and Toledo and in Toledo, Ohio, and on the Toledo, St. Louis & Western Railway from Toledo, Ohio, to St. Louis, Missouri, and from May 8 to 11, whatever the date there was, until I returned to the Bureau on August 8, 1923, I was in charge of the preparation and presentation to the Bureau of the land valuation of the Pere Marquette Railway Company. (Tr. 220-221.)

The cities I made appraisals of lands for these carriers in were, as I stated, for the Milwaukee Railroad in the City of Chicago, for the Detroit & Toledo Shore Line Railroad in Detroit, Ecorse, Wyandotte, Ford Village, Trenton, Michigan, and Toledo, Ohio, for the Toledo, St. Louis & Western Railroad in Toledo, Ohio, and other cities all along the line, including most of the towns and rural zones throughout their line, and with the Pere Marquette Railroad I handled the appraisal on their lands in the cities of Detroit, Flint, Saginaw, Grand Rapids, Michigan, and Milwaukee, Wisconsin.

During my service with the Commission my experience in land values has been: I was on main line, rural right of way, towns and villages, for the first two and a half years, and for the remaining four and a half years of my first tenure with them I was in charge of the appraisal of [fol. 159] the lands of the railroads, one line in Birmingham, Alabama, two in Jacksonville, Florida, including water front properties, 11 lines in Indianapolis, Indiana, 13 lines in Atlanta, Georgia, all lines of all carriers in Cleveland, Ohio, and since returning to the Commission about a year ago I have had charge of the personnel party of land appraisers appraising five terminal lines in the City of Chicago, Illinois.

I was recently called upon to make valuation of the lands of the Manufacturers' Railroad of St. Louis and the St. Louis and O'Fallon Railway Company. I was directed to make that appraisal by the supervisor of appraisals of the Bureau of Valuation, Interstate Commerce Commission.

Concerning, in a general way, the method used on approaching the subject and obtaining the valuation of the lands of the Manufacturers Railway and the O'Fallon Railroad: The methods prescribed in the instructions of the supervisor of land appraisals were in the main followed. These were revised by the supervisor, who had had considerable experience in executive capacity before taking up this work and had in cooperation with his personnel utilized the experience and had respect to the rules of legal evidence in the compiling of such information as is generally considered appropriate to establish values of real estate, and confining those written instructions we begun by referring to maps of the properties of the carriers which were supplied to the supervisor of land appraisals—supplied by the carriers to the supervisor of land appraisals, [fol. 160] and with those maps the practices—and in this case the practice was followed with reference to both carriers in the appraisal—the lands of the carriers were examined in detail on the ground and the characteristics as affecting value, use, access, topography and other features that would furnish pertinent suggestions as to a proper valuation, were all noted. (Tr. 222-224.)

Then the public records of the counties in which the properties lay were carefully examined in person to ascertain all transactions about real estate, whether sales, leases, assessments for tax purposes, or other recorded instruments affecting the property.

With those in hand these transactions were platted on the maps of the carriers so as to show where these real estate transactions had happened in relation to the zones to which it was proposed to apply the unit prices of market value as derived from these records, when those data were assembled and studied again in the field with its relation to this property where it should be determined how comparable these other lands about which we had transactions were to the lands of the carriers. That determination was made by personal inspection of these other lands

by me. Having in hand this recorded data and having it applied to the localities where it belonged, further investigation was made among the people who had negotiated and participated in these transactions of real estate which were found of record, and from the verification and confirmation of the apparent facts as disclosed by the record there [fol. 161] was determined what had been the true transaction, and in addition to that interviews we had with these people who were conversant with the transactions and discussions were invited from them as to the applicability of this data and as to whether or not this property was comparable to the railroad property to which it was proposed to be applied, and any and all comment that would be an aid to judgment in a proper application of this information was invited.

Having obtained all this, the appraiser, myself in this instance, resorted to such experience in any and all capacities in past life to aid in a formulation of a judgment of what a proper appraisal of the carrier's property, and in that way a unit per square foot or per acre of the carrier's land was arrived at and assigned, which became the valuation of the land that as an appraiser I filed with the supervisor of land appraisers as applicable to these different carriers for the periods under consideration. (Tr. 224-225.)

I began this examination about the 11th, as I remember, of August, 1924, and concluded it about the 16th of September, 1924. I obtained the records of sales of adjoining lands up to about 24 or 25, 1924. I made a report to the supervisor of land appraisals of my findings. That has been formulated in a land report.

In the document you hand me marked "Land Report on the Manufacturers' Railway Company, March 1, 1920, to December 31, 1920," I have examined the data and the [fol. 162] figures on that report and have checked it. It conforms in all respects to the figures furnished by me to the Bureau. This is a formulation of the results. (Tr. 225-226.)

[The exhibit referred to was thereupon received in evidence and marked "Exhibit No. 41, Witness McPherson."]

A similar land report of the Manufacturers Railway carried up to December 31, 1921, was offered in evidence.

[The exhibit referred to was thereupon received in evidence and marked "Exhibit No. 42, Witness McPherson."]

A similar land report on the Manufacturers' up to the year ended December 31, 1922, was offered in evidence.

[The exhibit referred to was thereupon received in evidence and marked "Exhibit No. 43, Witness McPherson."]

A similar land report on the Manufacturers' for the year ended December 31, 1923, was offered in evidence.

[The exhibit referred to was thereupon received in evidence and marked "Exhibit No. 44, Witness McPherson."]

The land report on the St. Louis & O'Fallon Railway Company, March 1, 1920, to December 31, 1923, was offered in evidence.

This embraces the results of my personal investigation of the lands owned and used by the St. Louis & O'Fallon [fol. 163] Railway Company. It is a correct statement. All these exhibits offered are true and correct computations of the results of my appraisal.

[The statement referred to was thereupon received in evidence marked "Exhibit No. 45, Witness McPherson."] (Tr. 226-228.)

Cross-examination.

These land values offered in evidence represent my best judgment, after my own independent investigation of what those values are.

I understand that there is quite a substantial tract of land that borders on the river that is owned by the Manufacturers' Railway Company.

The matter of area is not determined entirely by the appraiser in the field. The area that will be computed that is, included in this exhibit introduced, is arrived in part if not mainly by an examination of the totals and by the compilers of the data in the supervisor's office. I as an appraiser do not really determine the areas. I review them and examine them in a way, but the question of inclusion or exclusion of areas, as to what is properly class 1-1, class 2-2, class 2-1 and class 4, is not wholly under the determination of the field appraiser. The information he turns into the office in his report is ordinarily sufficient for

the office of the supervisor to determine the classification and the allocation of the different types and classes of ownership to specific accounts. I do not know that that clearly expresses what I have in mind, but I did not exclude any land or include any land in my investigation. I simply [fol. 164] marked the conditions and referred to conditions and title and things of that kind, as otherwise appeared in figures that were before the Commission.

I do not think—if it will get to your question—I do not think in the land report the unit I have applied to that zone has been extended to cover the land between the inner harbor line and the outer harbor line, if it is my interpretation that that is what this schedule shows, only to the land that will be back of the harbor land most remote from the threat of the stream. (Tr. 232-233.)

I have not considered the value on the property between the two harbor lines as an area proposition, as a square foot proposition. My determination of the value to be applied to that property which came to the river or to the harbor line was derived at by valuation of the inner or fast land, plus an increment per front foot for access toward the river or for privilege of extending to the river. It is not based on an area consideration, but it is purely an additional element of value which is called access to the fast land strip, and that is all that we understood the carrier owned in there, was the riparian right or the right to reach the river over some regulation that the laws of eminent domain exercised over it.

As to what difference it would make in my estimate as to what the property was worth, if shown that this land that I speak of which borders on the river and between the inner and outer harbor lines there was owned by the [fol. 165] Manufacturers' Railway Company: If it owned the land, of course, it should be apprised as any other land owned, if the dominion of the carrier over it is complete.

I am pretty sure that we can supply that. I know that we have a deed to the land to transfer, and I believe the deed to that.

As to just what this property we have been speaking about along the river being wharf property or just what is it: I am not clear that there is any use at all of the shipping or water privileges exercised there. The absence of wharf-

'age activity is rather noticeable. There seems to be no use made of the river for shipping purposes at that place or near it, no substantial use. Of course, I could not tell that something might arrive outside of the short period under my observation, but my general observation was that there has been no activity in that place. (Tr. 233-235.)

The property between the foot of Dorcas Street and Arsenal Street is occupied by the round house, an engine house and some of the works of the carrier, and I think possibly between the two harbor lines. Not having the harbor lines pointed out to me, I do not know for sure, but I think there are some of the structures of the carrier reaching upon it. I would not want to be sole authority for that statement. (Tr. 235-236.)

[fol. 166] Redirect examination:

The unit values which have been applied by the Bureau in Washington to certain areas which are included in this land report are the unit prices that we establish in the field in every case. And those unit prices represent our best judgment of the market value of the property adjoining and adjacent to the properties of the carriers, and similar to the properties of the carriers.

Some of these adjoining properties that I refer to are occupied by public utilities, but I do not recall any occupied by railroads. The public utilities I have in mind are gas companies. There may be one other, but I do recall now the gas company has a very substantial holding that has been considered in this study.

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Mr. R. W. Fletcher was recalled as a witness for the Bureau of Valuation and explained the treatment in Exhibit No. 26 of the partial electrification of the Manufacturers' Railway. (Tr. 238-242.)

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Mr. Louis Hood, being recalled, testified as follows:

Direct:

As to how we classify a portion of the O'Fallon's property that has been testified here as in use by a street or

electric railway line for a portion of the distance between O'Fallon and East St. Louis: This was treated the same as all other similar property, and under the rules of the Bureau, and I also understand the Commission laid down an opinion in the Texas Midland case, that property is classified to the owner as wholly owned and used, and the [fol. 167] traction company merely given traction rights. As to the portion of the Manufacturers that is in use for a connecting line between it and the Missouri Pacific: That was valued to the Manufacturers as wholly owned and used. They were the owner, but I understand witness yesterday that it was just the reverse, that the Manufacturers used some property of the other fellow. Of course, if there is any of the property to which title is in the Missouri Pacific, that would be and was valued to the Missouri Pacific as wholly owned and used and no recognition taken of that in the valuation of this carrier, except to mention it in the text that they had trackage rights, the right of joint use. (Tes. 243-244.)

I have been engaged in the work of valuation substantially since the beginning of the work and I have been engaged on the appraisal of enginering work particularly. As to what the general rule was as to the appraisal of equipment which upon examination it was found had been withdrawn from use: If equipment had not been in use for about 90 days and had a very low condition of per cent., we would not set it up in the engineering report. Neither do we set up equipment which is not in use and has a condition per cent. of zero. If we found equipment not in use where the equipment was in storage, our attitude towards that would most likely be not to set it up in the report unless there seemed a likelihood of its being put back at some near future date. That has of course been pursued generally in valuation all over the country. (Tes. 245.)

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[fol. 167a] Mr. A. E. Wright, being recalled for the carriers, testified:

Direct:

Concerning what I, as secretary-treasurer assistant of both properties, have to say with respect to the rea-onable-

ness from the standpoint of value and otherwise of the materials and supplies on hand at the end of these respective recapture periods: I consider them nothing more than adequate. Particularly on the Manufacturers we interchange in equipment rolling stock, cars in particular, with practically every railroad in America and Canada. These cars are equipped with devices of various kinds, coupler and draft reading equipment, particularly, and the burden of repairing cars, making minor repairs particularly, to a very large extent devolves on the delivering line, and for that reason we have been compelled to carry an unusually large supply, perhaps, for a carrier of our size, of car repair material. The track material and our locomotive material are kept down to an absolute minimum. That is a matter which likewise receives my attention, and we have been consistently attempting to reduce the amount of our inventory stock and to keep it at as low a level as possible. I do not consider that the amount of material carried on either of our properties is in any way excessive. We are able to go into the market and purchase certain class of material on short notice, and for that reason it is not necessary to carry an excessive stock.

On the other hand, on the Manufacturers particularly, we have very severe conditions to contend with, particu- [fol. 168] larly in winter time, due to breakage of couplers and rails. A great deal of our track is laid in the city streets, paved streets. We have many very severe grades and heavy curves. We are compelled to keep up a very high standard of track maintenance. (Tes. 250-252.)

That compulsion comes very largely from city ordinances and requirements of the municipality, but not to any great extent. We are compelled to pave, for instance, those tracks and crossings for 2 feet outside of each rail, and to maintain our tracks in condition parallel with that of the condition of the city streets. Judging from conversations which I have had with one representative particularly of the Railroad Administration who had charge of just such work, I consider the percentage of material carried on our lines as extremely small. I have heretofore laid before the Commission the same thoughts that I have expressed here with respect to these 2 electric locomotives being held in reserve—recently submitted the same in a case in which

the Manufacturers was seeking increased allowances from the trunk lines, made effective on July 12 of this year. It was an Investigation and Suspension proceeding. (Tes. 252-253.)

Cross:

The total length of the Manufacturers Line is a little over 30 miles. As to the siding and reading from Exhibit No. 2: There are 13.45 miles of yard track and siding owned by the carrier, 5.15 miles leased from industries. [fol. 169] There are 5.22 miles of main line, and the balance, approximating a fraction over 30 miles, represents trackage owned outright by industries. We accepted thousands of bad order cars in interchange from our connecting lines; we accept everything except cars having defective safety appliances, and we necessarily accept those cars until we can send them back to connections. We have got to handle them. In other words, through arrangements with other lines we repair those defective safety appliances.

Redirect:

We handle approximately 50,000 loaded cars yearly over the Manufacturers' rails. From studies which we have made in previous rate cases we found that for each loaded movement which we handle, we handle the car in short movements, acceptance from delivery lines, classification of trains for delivery and miscellaneous switching, in order to accomplish placement, about 7 times. That is extremely more onerous than the switching service on any trunk line in St. Louis terminals, and much more so than on many of the trunk lines that I know of in other cities. That has a decided effect through all departments upon the quantity of material and supplies that must be kept constantly on hand. The comparative density on the O'Fallon of traffic is about the same, so far as the number of cars is concerned.

The movement is in no way comparable. We can accomplish any given amount of work on the O'Fallon with 1/10th of the energy that we can do it on the Manufac- [fol. 170] turers. We have conditions on the O'Fallon identically the same with those on the Manufacturers with respect to the receipt of bad order cars. (Tes. 261-262.)

Recross:

Of the 50,000 cars that we handle annually, I would not say that as high a percentage as 99% were foreign cars. A substantial part of those cars are the St. Louis Refrigerator Car Co. cars, which are constantly going and coming, particularly in the summer months, with outbound movements of beverage and other supplies from Anheuser-Busch, Inc., and the return of those same cars with empty packages. I would say that at least 85% of our traffic is handled in foreign equipment. We do not necessarily bill the company owning the cars for whatever repairs we make on foreign equipment. I would not say we do so on any large percentage. We classify it under 2 headings. We bill the owner of the cars for what we call car owners' responsibility repair. We pay ourselves for handling the line responsibility. We are members of the A. R. A. and conduct our relations with the other lines under the provisions of the so-called interchange agreement, and charges which we make against other lines and charges which they make against us are in conformity with the rules of interchange. To the extent that we bill these repairs to the owning carrier our maintenance of equipment account is lessened; we get back just what we pay out. In our maintenance of equipment account in the report to the Bureau of Finance we have not included any of the expense for maintenance of equipment that is billed to owning companies. As those accounts are cleared or receipts received [fol. 171] by us for that work it is credited to our maintenance equipment accounts. We gave only the balance; that is the difference between the debits and credits. We operate the equipment of the St. Louis Refrigerator Car Company under a lease. The St. Louis Refrigerator Car Co. is a distinct corporate entity. It owns all the refrigerator cars that we use and makes all the repairs to them with their own facilities and we have nothing to do with repairs on them, except that as one of the officers of the Refrigerator Car Co. I supervise the repair and maintenance of those cars and movements. It is not done on the property of the Manufacturers or in its shops. It is done with independent facilities, a very commodious and ample shop maintenance and owned by the Refrigerator

Car Co. In the event that a St. Louis Refrigerator Car Co. car comes on our line in a defective condition and it is not safe or thought desirable to move that car to destination, the Manufacturers Railway will repair that car under the same conditions that we repair a car on our line and bill the Refrigerator Car Co. for it. The Refrigerator Company maintains an independent stock of material and supplies—very substantial, considerably more than both of the railroads combined. We lease 993 of those cars to be exact. (Tes. 262-264.)

There is no steady movement of traffic from the Manufacturers to the O'Fallon, or a movement which is productive of any dependable source of income. There is some [fol. 172] traffic moving west bound; the Manufacturers Railway is east bound. From the Manufacturers to the O'Fallon there is no substantial movement. There naturally would not be. The vast majority of industries on the Manufacturers are manufacturing plants. Of course, their commodities are moving out. The O'Fallon is nothing more or less than a producer of raw material. There are mines on the O'Fallon and those mines do consume supplies of various kinds. So there is some movement. That movement consists of mine props, small mine ties, oil and hay, feed, straw for the mine mules, commodities common in the operation of mines.

That originating on the line of the Manufacturers is billed under original billing and moves through the terminal, as a rule, to the O'Fallon. The Manufacturers issues no way-bills. We issue straight bills of lading, which are accepted by the trunk lines, and in this instance by the O'Fallon Railway, as the basis of their outbound movement. No way-bills are issued, as a rule on that traffic by the trunk lines. The car travels under the original billing.

It goes through the eastern terminus of the O'Fallon on that form of bill, and to the terminus or destination of any of the trunk lines on that form of bill. On inbound traffic the situation is usually the reverse. The traffic comes in to us under the regular way-bills and we return (retain) those way-bills in our files.

[fol. 173] The Manufacturers' does not act as an intermediate for traffic from trunk lines to the O'Fallon, as particularly on the west side of the river all trunk lines

have connections with the Terminal and that is the most direct route.

Redirect:

The rule in the St. Louis Terminals is that on all local movements having origin within the switching limits and destined to points within the switching limits, the originating line must collect the charges of all lines participating in the *hall* and remit to participating lines.

The Manufacturers would make the collection for that movement and make the division, assigning a certain portion to the O'Fallon and another portion to the terminal in accordance with their local tariffs on file. Settlements are made 4 times each month. I would like to add somewhat to my reply to Mr. Brown's statements by saying that the completion of the municipal bridge will enable the Manufacturers to handle a very substantial intermediate traffic. This will be particularly true between the Missouri Pacific and lines on the east side of the river. We have at this time on the O'Fallon a direct connection with the Alton & Southern Railway, which is an independently built line having physical connections with all lines in the East St. Louis district with the exception of the Wabash and Cloverleaf, and the Southern Railway, and we are now negotiating for physical connection with the Louisville & Nashville. That bridge will enable us to handle a very substantial busi- [fol. 174] ness, both eastbound and westbound, that is now handled through the terminal.

For instance, instead of moving our outbound traffic through the terminal to any of the east side lines, we would handle that ourselves over the river, and in all probability to begin with, deliver it to the Alton & Southern for a further intermediate movement to the outbound trunk lines. (Tes. 268-270.)

That is dependent upon us getting a lease over the bridge which would enable the Manufacturers to operate its own motive power over that bridge. That depends upon plans which are now being worked out between the Chamber of Commerce and various railroads. Nothing has been definitely decided so that we could say we would have a clear right to a lease giving us the right to use our

own motive power on the new bridge, but that is likewise true with reference to every other railroad in the terminals. The bridge so far has not been placed in the service and has not been used by any carrier. It is a new project and has not as yet been completed.

As to the argument that there is some opportunity for continuous carriage under the new bridge operation which does not apply under the present terminal: The location of the bridge is the only answer to that. The present Merchants Bridge over which most of the freight traffic is handled is in the far northern section of the city, and the free bridge or municipal bridge is in the southern portion of the city. It opens up an entirely new avenue for the handling of traffic. It will practically revolutionize inter-[fol. 175] change of business in the St. Louis terminals. Our right to handle traffic over that bridge would be in no different from our right to handle it over the present bridge, subject only to certain conditions which may be imposed by the city of St. Louis which owns the bridge. Such resolution has not been enacted. (Tes. 270-272.)

Mr. Brown, of Counsel for the carrier, here stated "for the benefit of counsel" that under the decision of the Supreme Court in the Terminal Company case these carriers will have the same right as other carriers to use the municipal bridge, i. e., the same as the right now held to use the terminal.

Above hearing before Commission's Examiner closed October 2, 1924.

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[fol. 176] Before Examiner Kelley

Washington, D. C., July 12, 1926.

Appearances: Philip J. Doherty and Robert E. Freer on behalf of the Interstate Commerce Commission.

R. O. Tes. refers to reopened hearing testimony to distinguish it from testimony in original hearing, the page numbering in both cases being the same.

(Statement by Examiner Kelley)

This proceeding comes on for hearing pursuant to order of the Commission as of June 1, 1926, reopening these cases for the purpose of considering excess operating expenses. The order reads for the year 1923, but it was intended to reopen these cases for the several recapture periods heretofore considered in this proceeding and counsel has agreed we will go ahead on that basis without the necessity of a further order from the Commission. (R. O. Tes. 1-2.)

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Mr. WILLIAM COTTER was called as a witness on behalf of the respondents and, having first been duly sworn testified:

Direct examination:

My name is William Cotter. I accepted the position of president of the St. Louis & O'Fallon Railway and the Manufacturers Railway only after persistent persuasion on the part of Mr. August A. Busch, who was at that time, and is now, chairman of the board of both companies.

Having been manager of the Missouri Pacific System in 1902 and 1903, and during that time having associated very closely with Mr. Adolphus Busch, deceased, and Mr. August A. Busch, I was thoroughly familiar with the Manufactur- [fol. 177] ers Railway, its position as a carrier in the St. Louis Terminals, the difficulties which it confronted in its relations with the other lines in St. Louis, the difficulty of securing service, and to some extent, with the aims and ambitions of Mr. Adolphus Busch and Mr. August A. Busch with reference to the future of their properties.

Mr. August A. Busch, in asking me to take the properties in charge, requested that I come to St. Louis and make a survey of the situation and advise him as to the desirability of selling the properties, an offer being in his hands at that time, or whether it would be better policy to go ahead and attempt to overcome the difficulties in which the companies, particularly the Manufacturers Railway, were enmeshed, and to make a further effort to carry out the purpose of his father in developing the Manufacturers

Railway, same being the establishment of an independent competitive terminal railway in the city of St. Louis. I advised Mr. Busch to retain the properties and develop them.

I found these properties in very bad condition. The Manufacturers Railway was in fair condition physically, but in very poor condition financially and the relations with other railroads had reached a point where it seemed impossible to correct them, the former president having antagonized all of the railroads. Our relations were so bad that we were not permitted to become a member of the Per Diem Rules Committee; our superintendent was not permitted to be a member of the local Superintendents' Association and our agent was not permitted to be a member of the local Agent's Association; in fact, all the conditions seemed to be as bad as they could possibly be.

The St. Louis & O'Fallon Railway was in fairly good condition financially, but the cars were in very bad condition, also the roadbed, particularly with reference to ties, (R. O. Tes. 2-5.)

(By Mr. Doherty): I desire to object at this time to any offer of evidence on the part of the carriers, or the reason [fol. 178] for the change in salary made in 1923, which conflicts with the motion recorded as the action of the Board of Directors themselves. (R. O. Tes. 5.)

(Examiner Kelley:) Your objection is on the record and we will proceed without a ruling on it at this time. (R. O. Tes. 6.)

(The Witness:) The St. Louis & O'Fallon Railway was in fairly good condition financially, but the cars were in very bad condition, also the roadbed, particularly with reference to ties.

Having accepted the position, the question of compensation was broached. I agreed, on account of the very low condition of the properties as to revenue and physical condition, which would require a considerable expenditure from the earnings, to take the position of president of both companies, the Manufacturers Railway Company and the St. Louis & O'Fallon Railway Company, at a salary of $12,000 per annum, with the understanding that should I

be successful in rehabilitating the properties and improving their financial and physical condition, added compensation would be arranged for later as conditions improved. I also advised Mr. Busch that for a number of years as president of other railroads, I was receiving a salary of about $35,000 per annum.

As shown on the record attached, I received an increase of $4,000 per annum in 1920—that is four years later—it being agreed without question that the improvement in the financial and physical condition fully justified that increase and with the understanding that I should later on receive a further increase.

The St. Louis & O'Fallon Railway Company on January 19, 1903, executed a ninety-nine year contract with the East St. Louis & Suburban Railway, covering the joint use of a portion of the St. Louis & O'Fallon Railway by the electric trains of the East St. Louis & Suburban Railway. It was also agreed in that contract to handle the [fol. 179] coal of the East St. Louis & Suburban Railway from the Junction to East St. Louis at an amount of $4.00 per car, which is about ten cents per ton. Later when fifty ton cars came into use the compensation was increased, through correspondence, to $5.00 per car on fifty ton cars.

However, the cost of operation had increased so very much and the rates also had increased considerably, that I strongly objected to the continuance of that arrangement.

Finally I instructed that proceedings be started with the Interstate Commerce Commission and at the end of about four years we succeeded in obtaining a favorable decision from the Interstate Commerce Commission, so that our average revenue per ton on coal from suburban mines since that time has been 18½ cents per ton—almost double what it was prior to the decision of the Commission.

I then took up the question of additional compensation to cover the period from the last increase and for the future until the matter might again be discussed, and on account of the very satisfactory improvements made in the two properties, financially and physically, and the work done in connection with the changing of the arrangement with the East St. Louis and Suburban Railway, it was agreed that I should receive a lump sum of $25,000.

I was paid $12,000 in December, 1923, and the remainder in the year 1924. The decision of the Commission was rendered on July 13, 1923, but I did not draw any of this money until same had been received from the East St. Louis & Suburban, which was during December, 1923.

Our general counsel, Mr. Daniel N. Kirby, who is also a director of the Manufacturers Railway, drew up the resolution which was passed by the Board of Directors. It was not thought necessary at the time to lengthen the resolution by mentioning the other reasons, as given above, for the total amount.

I am now receiving from the Manufacturers Railway Company and the St. Louis and O'Fallon Railway Com-[fol. 180] pany on the payrolls $16,000 per annum for filling the position of president of both companies. (R. O. Tes. 7-9.)

I think that is divided between the two carriers ten and six. I want to say this, that during the ten years I have really always looked on those two properties as one. They have been operated as one; so I did not figure down to a cent or a fraction how the division should be made, because in my mind always, and in my opinion in the operation of the properties, it was one property.

As to the revenues of which company my salary comes: The six thousand dollars that is on the payroll of the Manufacturers, of course, came out of their revenue; and the ten thousand dollars on the O'Fallon comes out of the O'Fallon.

I think I am entirely responsible for the increased compensation voted for Mr. Busch during the year 1923. When I became associated with the property in 1916, Mr. Busch was then receiving a total salary of $4,800 per annum from the two companies. When the order was issued by the Railroad Administration suggesting that all men who were not actually employed on the railroad, and those that might be considered as unnecessary, be eliminated from the payroll, Mr. Busch insisted that I take him off the payrolls. I objected to that because a considerable portion of his time was actually devoted to the interests of the railroad. In fact, then, since and now I consult with Mr. Busch almost daily, at least weekly, on matters pertaining to the two properties, and I told him I saw no reason why he could not

consistently draw a salary which the work he done, or the advice that he gave, justified, but he is rather morbid on that subject of violating any rules and he said: "No, it must be cut off." He is very sensitive to criticism, even though he is sitting here, and he said, "Somebody might say I am a brewer and what do I know about a railroad" and all that kind of talk. I said: "That don't make any difference. Your own conscience should govern that and I know and you [fol. 181] know you do devote a considerable portion of your time in matters pertaining to the two railroads," but he was so insistent, I said, "All right," so it was cut off, Mr. Examiner, from April 1st, 1918, to March 1st, 1919. Then I went to Mr. Busch again and insisted he was oversensitive and that he was entitled to some compensation. He does not own these railroads personally, and any work or advice that he might give would be for the benefit of not only himself, but the other members of the Busch family and other stockholders. So there is no reason why he should work for nothing, in my opinion. So he finally consented I might give him $2,400 per year, which I did. On April 1st, 1923, I again took the matter up with him and after some insistence and hesitation, he finally said, "All right, what do you think?" I said: "I think you should have $18,000 a year as chairman of the board of the two companies." That was put on on April 1st, 1923, and that still continues. That is his salary as chairman of the board of both companies. (R. O. Tes. 9-12.)

That is divided as I see here fifteen thousand O'Fallon and three thousand Manufacturers. My salary and Mr. Busch's come in a check from each company. The accounts are kept separate; semi-monthly payments. I get a check every two weeks. The accounts are kept separate, but nothing else.

Mr. Busch has been rather active in getting new industries located along the line. Of course, Mr. Busch and the Busch name is so well known in St. Louis that it is a very great help to the Manufacturers Railway in obtaining industries. Furthermore, he has two industries—he has put two industries on the O'Fallon Railway, Mr. Busch has, the only two that we have over there, and if we were entirely separated from the name of Busch it would be harmful for us from a revenue standpoint. Further, let me say, Mr.

Brown, Mr. Busch has finally consented after prohibition went into effect, probably two or three years afterwards, [fol. 182] that all of the buildings not needed by the brewery might be rented. We are getting upwards of $150,000—they are—rents, and we are getting a very considerable amount of business from the tenants in those buildings that Mr. Busch rented. Of course, he rented these buildings for two purposes—one was the rental he would get from the buildings and the other the business that the Manufacturers Railway would get from the tenants. (R. O. Tes. 12-13.)

Cross-examination:

From my recollection, the meeting of the Board of Directors of the O'Fallon of April 2nd, 1923, was a meeting at which all the directors attended and were actually in personal attendance, because that was always the case. We always held those meetings in East St. Louis at the place designated in the by-laws. From my recollection all the directors were present at that meeting personally. The records would show that.

The meeting of the O'Fallon, as I said, is always held in East St. Louis. There are seven directors, and the meeting of the coal company is held the same day; partly for Mr. Busch's convenience, if you please, as he goes first to the O'Fallon and then down to the coal company, and I do not know of a single instance—there may have been some—when all of the directors were not present at the meeting. I can not answer if the draft of the proceedings of the meeting were prepared before the meeting. As a rule you know they are. From memory, I can not answer if the minutes were prepared before hand at my office in St. Louis. Our records will show, and I have trained myself in the fifty-two years of railroad service to not keep anything in my memory that I knew is on paper. (R. O. Tes. 13-15.)

I can not answer where there is on paper any information that we can get as to whether or not the record of this [fol. 183] meeting was prepared before hand at my office in St. Louis. I do not believe anybody could. I did not assist in the preparation of the motions at St. Louis with reference to my compensation or Mr. Busch's before I attended the meeting in East St. Louis. I did not see either. There

was no conference in St. Louis before this meeting at which I and Mr. Busch and all the directors participated.

As to whether there was a conference at St. Louis at which I and Mr. Busch participated in which there were directions given to Mr. Kirby as to the draft of both: I do not recollect that Mr. Kirby drew the resolution.

"Q. Now, he did not draw the resolution without some orders from somebody. Did you have anything to do with the conference at which directions were given to draft these resolutions?

"A. I have given Mr. Kirby no instructions to draw that resolution. I certainly did not."

I gave him no instructions to draw the resolutions in relation to Mr. Busch's salary. I will tell you now if I had been drawing that resolution or had anything to do with it I would have worded it entirely different. I will explain that further. I was fully and entirely entitled to the amount of money I received at the time outside of the suburban case. (R. O. Tes. 15-16.)

I am quite sure Mr. Busch was there at that meeting at East St. Louis on April 2nd; his signature is on it as presiding at the meeting. I will say positively he was there. I can not answer from memory whether there was any discussion there on any of these subjects by any of the directors or had it all been determined in St. Louis before hand. It is quite a ways back. There was, no doubt, some discussion, but I cannot say positively yes or no to that. I cannot recall that. That would be a matter of memory and I could not carry a thing of that kind for three and a half years or more in my memory.

[fol. 184] I said I took this matter up in 1923 with the idea of getting some greater return. I took it up with Mr. Busch personally and with the directors. There was no discussion of it at the directors' meeting that I can tell you about in words. You can not carry a matter of that kind for three years in your mind. I do not presume to. I cannot do it nor no man can do it. I have no doubt there was discussion on that subject but I can not give you any words and tell you just what it was and who. (R. O. Tes. 16-18.)

You are getting around to a point where you want me

to admit nobody said anything. I am not admitting that. I do not recollect any words any one man said about my increase in salary. I am not saying it had been practically determined before hand between myself and Mr. Busch. Mr. Busch and I had discussed this matter as to how much I was entitled to before the meeting over in St. Louis, and as to what was done on April 2nd, the records will show. I would not put my memory up against the records. What was done in East St. Louis on April 2nd had not been substantially agreed upon between myself and Mr. Busch at the meeting in St. Louis before that time; I could not agree for the board of directors. We discussed it, yes. (R. O. Tes. 18-19.)

It is easy to give as fully as I can both sides of that discussion between me and Mr. Busch in St. Louis before the meeting. I called Mr. Busch's attention to our original agreement, and as the property improved financially and otherwise, I would ask for more money and agreed on both sides that the amount I asked for at the beginning was pitifully small for compensation for services of that character, and I was not looking for work at all. I am telling you of my conversation with Mr. Busch. I said: "Now, the time has arrived in my opinion that I should have $25,000." Mr. Busch readily agreed to that, but his agreement and mine would not close that deal. As I recollect that is about [fol. 185] all there was to it. That is all that was necessary. I do not recollect if there was a word said about the case of the East Suburban. My added compensation was to be based on the general increase in the value and earnings, net earnings and so forth of the property, regardless of where it came from. That was just an incident. (R. O. Tes. 19-20.)

I do not recollect as to whether Mr. Kirby was present when we had this conference, or whether myself and Mr. Busch saw Mr. Kirby about drawing this vote afterwards. I think probably he was present. I would not be sure on that. I do not carry that in my memory. He drew the resolution, yes.

"Q. Now, coming to the resolution. May I ask leave that a copy of the resolution be added to the stenographic notes of this hearing?

"Mr. Brown: No objection to that.

"Mr. Doherty: That will be filed with the reporter later, and I will examine as if that was a part now of the record.

"Examiner Kelley: File that within ten days."

Mr. Kirby is not here. As to whether I or Mr. Busch instructed Mr. Kirby in preparing a draft of anything for the meeting at East St. Louis: I will answer that question as I did awhile ago, if I had anything to do with the drawing of that resolution I would have worded it entirely different. I gave no instructions to him in relation to the subject. I do not think Mr. Busch gave any instructions in my presence. If he had I would have outlined to him how the resolution should read and it would not read that way. (R. O. Tes. 20-21.)

In that particular year, 1923, there was no marked change in the general character of my duties or those of Mr. Busch; it was based on a period—not a year.

During government control Mr. Busch with his consent was entirely eliminated from the payroll as an official of the company on his request. So far as I was concerned [fol. 186] that was due to our interpretation of some general order issued by the Railroad Administration; they did not name Mr. Busch. He placed a different interpretation on it from what I did. I will put it that way. I said, no, he should not be eliminated. He thought possibly he'd better to avoid any criticism. Until those general instructions had been put out from Washington we did not take it up; we had no reason to. In my opinion always Mr. Busch earned what he got he is earning it now. (R. O. Tes. 21-22.)

I undoubtedly discussed the matter with Mr. Busch. I do not remember whether he started it or not. At his suggestion his name was eliminated.

"Q. From that time until 1923 was there any specific change that you can refer us to requiring that more time, attention and service on the part of Mr. Busch be given?

"A. No; he was working for nothing, doing quite a good deal of work too, and foolishly.

"Examiner Kelley: I do not think your answer is responsive to the question. He is asking you of any change

in conditions that required additional time on Mr. Busch's part.

"A. He did get from 1919 to 1923 $2400 a year. I insisted he was wrong in his interpretation of the order all the way through. In 1923 I said 'I am going to put down $2400 a year,' so for four years he drew $2400 a year, and I felt and knew he was of more benefit to the company than that, and I stated he was getting what in my opinion was getting a poor salary, as though he was working under me rather than above me." (R. O. Tes. 22 23.)

For the three periods—first the period of Federal control, when he got nothing—the period succeeding that when he got $2400—and the period succeeding 1923 when he got a very much larger amount. There was no change in his duties. He worked just as much as if he was getting it, but there was a change in his opinion, that is all. I was [fol. 187] of that opinion all the time that he should be paid for the services performed. Some chairmen of boards of directors do more and others less, but Mr. Busch is subject to my call, if you please, on him at any time I see fit on any question that I consider of sufficient importance to ask his advice or instructions or discussion of, and that is very frequent.

"Q. Well, now, I am asking if there was anything else he did except these conferences with you?

"A. Oh, no; no. Under Mr. Busch I am in charge of the property.

"Q. And during most of the time you do not find those personal conferences necessary?

"A. Oh, no. They certainly are, yes, or I would not waste his time and mine holding them." (R. O. Tes. 23 24.)

As to just about how much time during any of these years there was taken up with conferences of that kind: There would be no record of a matter of that kind. Taking either of the years 1918, 1919 and 1920, I can not answer what the most important and difficult conference was that I had with him. I cannot answer that as to 1920, 1921, 1922 and 1923. (R. O. Tes. 25.)

"Q. Can you remember any one question of really great importance that required any time and discussion in those six years?

"Mr. Brown: Mr. Examiner, I object to further questioning along that line on the ground it is wholly irrelevant and incompetent. The questions are wholly outside of the proceeding."

"Mr. Brown: I have not any objection, Mr. Examiner, to the witness giving all the information he possibly can to assist the Commission, but I would hate to think that the Commission does not know what are the duties of a Chairman of the Board. The Commission knows that better than we do.

[fol. 188] "Examiner Kelley: Those duties vary with every railroad. We want to know about this particular chairman of the Board of this particular railroad, what he does to earn his salary.

"Mr. Doherty: We get a sidelight on that when the witness says Mr. Busch said: 'What might somebody say, as I am a brewer and what do I know about railroads.' That gives us a side light as to the extent of Mr. Busch's actual work for which the Carrier should be required to pay.

"The Witness: I beg your pardon. There was nothing of the kind said. I simply said that Mr. Busch said that somebody might criticize him, and I said they would have no just cause for criticism." (R. O. Tes. 25-27.)

Mr. Busch did not have the salary eliminated because he felt that he was not performing a service for the railroad. For the year 1923 my conferences with Mr. Busch were very frequent. We have really had more conferences, I won't say since 1923—maybe during 1923—I would have to go into some little length, if you do not mind. It is all on the subject. We occupy a rather peculiar position in St. Louis. That is, the Manufacturers particularly. We know somebody—we know who it is—is trying to buy us out in order to eliminate the possibility of competition, and we have had I think four or five offers to buy that property, one only two weeks ago, in order to eliminate us as a factor in the transportation competition in St. Louis. Those in some instances have been quite lengthy. A

senator on one occasion made an offer; Mr. F. J. Wade of the Mercantile Trust Company, Mr. Frank Carter, and Mr. Busch, former president of the Missouri Pacific. We have been dealing with some in the hopes of consolidating three local terminal properties, and on one occasion Mr. Busch gave an option on the O'Fallon Railroad and the O'Fallon Coal Company to a Chicago Company. The ne- [fol. 189] gotiations in that matter spread over a period of at least six months. The railroad being in the option, of course, I was concerned. I am not connected with the coal company. Well, all those matters, you know, are something I could not possibly decide. I did not own the railroad. I am simply a hired man as president, and Mr. Busch must sit and listen and give hours, if necessary, to the minute discussions of those questions. Now, that is all.

The Busch Estate doesn't own all the stock of the two companies. The Busch Estate owns some of the stock of each of these companies—Mr. Busch—acting entirely in the capacity of Chairman of the Board of these properties in my discussions with him. (R. O. Tes. 27-29.)

From memory I do not know, if the Busch Estate doesn't own all the stock of these two companies, who else owns any of that stock. That is a matter of record.

"Mr. Doherty: Then these matters of sale of the property relate solely to transfers of stock, do they not?

"A. We never reached that point.

"Q. But no part of these conferences that you have referred to had anything to do with the operation of this property?

"A. Oh, I beg your pardon.

"Q. Now, will you tell us some part of the conferences between you and Mr. Busch that related to the operation of the properties or the financing of them or any of those details except the sale of the property.

"A. I cannot recite any particular instances of operation, but there are a great many other things besides sale. The property was never sold and never intended to be sold, except when the option was given on the O'Fallon road."

The operation of the road is and is not left almost entirely to me by Mr. Busch. I have been in the business too long and have handled too many properties to take all the responsibility that might be handed to me, or that I might want to take. I insist always that the man above [fol. 190] me share with me the responsibilities. As to how frequently it is necessary for me to go to Mr. Busch on matters of operation with the railroads: When you get right down to the operation, very little, because the chairman of the board of any railroad has absolutely nothing to do with the operation of the railroad As to matters of operation I have full authority, but I do not want to exercise that authority—if my superior officer is available and I can go and talk it over with him and have him share the responsibility with me; not because I have not the authority. (R. O. Tes. 30-32.)

Concerning the length of time in a week or a month Mr. Busch would give to me in those discussions, all I can say at the moment, and all I can say at any time, because I can not go back and figure up the number of hours that he put in, that in my opinion he never did receive what he should receive in compensation. I have had a good deal of experience in what to pay a man for the work he performs, let him be under me or over me. I could not answer as to what time he devotes to that aside from its value as time. That is impossible. I can not give you any estimate at all from my recollection and my intimate association with Mr. Busch in the conduct of these properties, as to that, because I forgot whether I have been with him ten minutes or an hour. None of my communications with him on any of the matters of operation and financing are in writing. We are too close together. (R. O. Tes. 32-33.)

Concerning whether I consulted with Mr. Busch when the O'Fallon bought that land in Illinois at the east end of the Municipal Bridge and whether Mr. Busch went over there with me to view that land: I am glad you mentioned that, because that is an important case. It seemed necessary from my viewpoint to purchase that land at the end of the Municipal Bridge. I learned what the price would be, and I went to Mr. Busch and as it happened Mr. Nagel and Mr. Kirby were in his office at the time, Mr. Nagel, he being

[fol. 191] one of the trustees of the estate. I explained the matter to Mr. Busch and the other two gentlemen seemed to approve it, and Mr. Busch says: "Go and buy it." "No," I says, "I will not." I said: "I am not looking for responsibility. I have had too much of that in my life, and when I can divide the responsibility I propose to do it. I will not buy that land on your order unless you get in a car with me and go over and look at the land," which he did. I bought it that afternoon.

Concerning the controversy as to the inclusion in the property of the Manufacturers of some electric locomotives, which were later sold, and whether I had several conferences with Mr. Busch about the disposition of those electric locomotives: Yes, and I smile when I think of it. Mr. Busch in the purchase and use of the electric locomotives was acting entirely in the capacity of president of the Anheuser-Busch Brewing Association. That is the largest building of its kind in the world and the largest building in St. Louis. There are thirteen tracks going under Broadway and all go under this building. Mr. Busch became alarmed at the possibility or probability of one of our steam engines going up there and blowing smoke up through the building and insisted on having electric engines perform that service. He and I came to grips on that. I said: "Mr. Busch, I am president of the Manufacturers Railway. You are now talking as president of a brewery, the Anheuser-Busch Brewing Association. You do not own a dollar of the stock in this Manufacturers Railway. I am running a steam railroad. If you want electric engines to operate under that building you buy them. I won't." I finally bought those locomotives. We compromised on this, that they install the wires and overhead. That cost more than three times as much as the locomotives. I said this: "Now, Mr. Busch, we need one or two more engines; if this business develops as you hope, and as I think it will, we will need two more locomotives. [fol. 192] So I want to be fair with you. I will buy two locomotives, electric instead of steam," and I bought them and paid $60,000 for them. Later on it was shown to Mr. Busch's satisfaction that we really did not need those electric locomotives; we could hang on to one or two cars and switch them without any fear of or trouble from smoke

going up into the building, and I sold the locomotives. (R. O. Tes. 33-35.)

I can not tell you from memory what year it was that the electric locomotive purchase took place. That is a matter of record. It is several years ago; long before 1923, several years before 1923. There is no particular time that Mr. Busch has assigned for his service, whatever it may be, to the O'Fallon. I have the entree to his office ahead of anybody else at any time I want to discuss any subject pertaining to these railroads. I do not require him to punch a time clock when he comes in in the morning and when he leaves in the evening. I do not go quite that far because I might have to do it myself and I object to doing it. There is a very distinct line drawn between Mr. Busch and I as to whether he is talking as president of the Anheuser-Busch brewery or president of the Manufacturers Railway. If the former I am liable to tell him to go to the devil. But when we are discussing the Manufacturers and O'Fallon Railroad on my volition or on his choice, then, of course, he is my superior officer, and that is a very common subject between us. Sometimes day after day for sometime; not for any great length of time though, but I could not measure the time. I think I will have to adopt a plan like the lawyers do, conference with Mr. Cotter $150; conference with Mr. Cotter $100. I am going to adopt that plan.

I presume I have the records of conferences that I have held in the last six years with Mr. Busch. I will say that anyhow. That is pretty broad territory. I can say yes to that. That record would be in my office I presume. I can send it to you. I have one record I think I have in mind [fol. 193] on these electric engines. I made a memorandum of it so there would be no question as to just where and how I stood on the question. (R. O. Tes. 35-37.)

I will not say that I have no recollection of any conference that I have a record of since the record on the electric engines. I never felt it necessary to make a record of any conferences I have had with Mr. Busch. When he says yes he means yes. When he says no he means no. I do not need or require any record, his memory is good.

Coming down now to my service: I was present at the directors' meeting on Monday, April 2, 1923, at East St. Louis. You say that this record shows that I agreed to this resolution establishing something in the way of compensation for myself. May I see them? It might refresh my memory.

"Q. 'It is thereby agreed between this corporation and said William Cotter, who is present, and enters into this agreement in case said litigation' and so forth.

"A. Then that settles it."

I said if I had anything to do with that resolution it would have been worded differently. I still maintain if I had anything to do with the actual drawing of that resolution I [it] would have been entirely different, because the increase I was asking for was not dependent in any way, shape or manner upon that particular Suburban case. It was only a part of the whole important financial condition of the St. Louis & O'Fallon Railroad on which my increase was based. If the Suburban case never came up I still would have been entitled to that and would have asked for it and would have received the $25,000 that I did receive. That is what I want to impress upon you.

Mr. Kirby drew that resolution. It did not seem of any importance to me at the time as to whether that money was based upon that resolution only or not. I was not sufficient of a lawyer to know it made any difference. I was entitled to that amount of money on the whole improvement that had been made, in accordance with the [fol. 194] agreement prior to and in the future, until I again thought I was justified in asking for more money. That is all. (R. O. Tes. 37-40.)

As to whether this is a true record when it recites that I was present and agreed to that resolution: I can not say I agreed. The resolution itself, yes, but it says there I did not vote. The records don't show that I agreed to that resolution. (R. O. Tes. 40-41.)

Our general counsel, Mr. Daniel N. Kirby, who is also a director of the Manufacturers Railway drew up the resolution which was passed by the Board of Directors. It was not thought necessary at the time to lengthen the resolution by mentioning the other reasons as given above for the total amount.

It is very likely that I agreed to take $25,000 for the litigation if it produced that amount, and take less if it produced less. My request for more would have come earlier than that, though, if I got less than $25,000 in that event, because that is what I suggested as the amount I was entitled to on the original agreement as to compensation. When I asked for the $25,000 I did not have in mind at all that that was approximately the amount that I estimated would be obtained from that litigation. I only had in mind my agreement with Mr. Busch and the results that had been obtained and were advisable to the directors; that is what I had in mind. I do not think I told you a moment ago I agreed to take less than $25,000 if the application produced less.

"Examiner Kelley: Your answer to my question indicated that.

A. Well, it is possible I knew it would amount to more than that, but it did not make any difference. It did not seem important to me at the time." (R. O. Tes. 43-44.)

Coming back now to my discussion with Mr. Busch as to the amount I was to be paid: I don't remember if that discussion related at all to the litigation with the East St. Louis & Suburban Railway. The amount that I have col-[fol. 195] lected from the O'Fallon is less than the amount that was collected from the East St. Louis & Suburban Company for past insufficient revenue from that road at the time of the action of the Interstate Commerce Commission upon the subject. As to whether it proximates the amount: There are several thousand dollars; I do not know exactly more than the twenty-five. As to how I figure that: I just have a dim recollection; I am not positive, but I know it was several thousand dollars more than was paid me. The records will show that. (R. O. Tes. 44-45.)

(Witness excused.) (R. O. Tes. 45.)

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Mr. Augustus A. Busch was called as a witness on behalf of the carriers, and, having first been duly sworn, testified:

Direct examination:

My name is Augustus A. Busch. I am chairman of the Board of Directors of the O'Fallon and of the Manufacturers. Offhand I could not say how long I have occupied that position with either or both of those companies. With the Manufacturers, it has been probably 20 years, and with the O'Fallon since we acquired the property in 1913. I certainly do perform the duties that ordinarily attach to that office. I devote whatever time is necessary to the affairs of these companies either in formal meetings or in formal conferences. I devote time and effort to the questions of acquiring the location of new industries on the lines of these railroads. I always use whatever standing and influence I may have—speaking in a proper sense—to further the interests of these railroads as such. (R. O. Tes. 45-47.)

Cross examination:

I have no knowledge or skill in the manipulating of a railroad. As to what new industries I have placed on the [fol. 196] O'Fallon since 1920: There was a shale industry I helped to foster. I am not interested in it. I cannot say from memory what year that was; a couple years ago. We expect to get from that industry all the tonnage they take out of there. The tonnage varies from day to day according to the shale they require. Offhand, I cannot say what tonnage. That is about the only industry I recall helping to establish on the O'Fallon since 1920. I am interested in the mines that the O'Fallon serves. I had nothing to do with the making of the contract for the passenger trains for the men from our mines on our railroads; that is a matter of detail left to the president and the operating organization. I had nothing to do with it on either side of the transaction. I do not know as to the controversy that arose during Federal Control as to the rate that the coal mine should pay for that train. (R. O. Tes. 47-48.)

I did not know that the rate had been changed from $300 a month to $1,000 per month for that train during Federal control. I do not know that our coal company refused to pay that and never has paid that. I do not recall this particular item. I don't recall during Federal control having my attention called to an order from Wash-

ington in relation to men whose service was merely nominal collecting a salary from railroads under Federal control. I don't remember having my attention called to some circular raising the question as to whether or not I was entitled to salary during Federal control. I remember the conversation testified to here today by Mr. Cotter. I do not know if that arose because of an order from Washington. I do not recall not wanting any controversy about the subject and saying to eliminate me from the payroll, but the record may be there. I think there was a period when I did not draw any salary from the O'Fallon. That may have been during the Railroad Administration. That particular salary that I did not draw during that time has not been made up to me since; only what is in the record. (R. O. Tes. 49-50.)

[fol. 197] This vote of April 2, 1923, was not intended in any part to make up to me the salary I failed to collect during Federal control, so far as I know. During Federal control the carrier was always in the hands of Mr. Cotter, and he conferred with me daily on all matters pertaining to both roads. The conferences were practically daily; Mr. Cotter and I see each other most every day.

"Q. But large parts of the time you are not in St. Louis at all.

"A. Then I cannot confer with him.

"Q. But you do not confer with him daily then?

"A. Well, when I am in town, yes."

When I am available at my office I confer with him. Mr. Cotter comes to my office almost daily when I am in the city of St. Louis and we naturally confer about both roads. Sometimes it takes a half hour; sometimes it takes 10 or 15 minutes; sometimes longer. When the matters are of vital importance we generally have our attorney, Mr. Kirby, in the conference. The reports, I think, are all here and would show how often Mr. Kirby is down there to attend to those meetings and who was present and what is generally discussed. I am referring now to the directors' meetings.

"Q. Now, outside of directors' meetings, can you give us any time that you have put in—any statement of the

time that you have put in in the discussion of any subjects of any particular importance with Mr. Cotter?

"A. I discussed important matters almost daily when I am in my office, more or less important, with Mr. Cotter." If we can agree the final determination of every question of policy is mine. (R. O. Tes. 51-53.)

If we can agree I accept the final responsibility myself in all cases. As to who is responsible if we do not agree: A yes or no has to be said to every question. If it is important we generally agree. We confer daily and we usually agree on every important matter. We have a regular conference almost every morning. Anything of import-[fol. 198] ance that comes up we naturally discuss if from every phase. Mr. Cotter has the operation of the road under his direction. If he has something in mind today, he would get my views on the matter and ask for my views and what I thought of the matter. (Tes. 53-54.)

"Mr. Doherty: Well, now, talking about the O'Fallon Railroad, which has nine miles of main track and transports coal, mainly, coal from your mines, although it does transport coal from some other mines in the vicinity. Now, what questions are there that can come up daily for him to submit to you? Give us a picture of what those questions are, Mr. Busch, relating now solely to the O'Fallon Railway?

"A. Well, we discuss that O'Fallon road very frequently. We discuss about the car repairs that ought to be done, whether the shop ought to be enlarged, or whether the cars ought to be painted or a great many things that come up; whether we ought to beautify the grounds and all that business, and I go there two times a year to inspect it and see how it looks and how things are working."

In substance that is all I can give you of the nature of those conferences. I do not know that the matter of car repairs is solely a matter for the judgment of the man who understands cars and the necessity for their repair. I have a very keen eye and vision and when I see a bad car I talk to Mr. Cotter about that; when I see them in bad repair I naturally talk to my president about that. In other words, I take a deep interest in the welfare of both concerns. Oh, I am sure we have car inspectors that are paid for that (R. O. Tes. 55-57.)

Financial matters are naturally discussed from time to time with Mr. Cotter. Outside of the controversy with the East St. Louis & Suburban I cannot recall at this moment any financial matters of the O'Fallon in the last 5 years that needed discussion.

The motion offered on April 2 as to Mr. Cotter's salary was not drawn by me. The record must speak for itself [fol. 199] as to who offered that motion; I cannot recall. I was present at all meetings. (R. O. Tes. 57-58.)

"Q. You were present at that meeting on April 2nd. You offered the motion to allow Mr. Cotter a sum up to $25,000?

"A. With the approval of our chief counsel, Mr. Kirby."

The draft of that motion at that meeting that is in the record is evidently in Mr. Kirby's words, because a resolution of that kind I would not draft. I had a conference with Mr. Kirby about the matter. I asked him if this was right, legal and proper and he said, "Yes, go ahead; we ought to do it." I think the matter came up in general discussion with Mr. Kirby; we discussed it very thoroughly and came to those conclusions and the resolution was drafted. I have not read the resolution recently. That resolution embodied the result of my talk with Mr. Cotter.

"Mr. Doherty. Then this $25,000 was a bonus for his service in the matter of the arrangement of the East St. Louis & Suburban Railway matter?

"A. I should not call it a bonus; it was extra compensation.

"Q. Extra compensation for services in that matter?

"A. Not in that matter. For the entire conduct—for the proper and decent conduct of those two enterprises."

I said very emphatically it was compensation; well, let's call it salary. I asked Mr. Kirby if it was right to do a thing of that kind. As to whether I knew of a thing of that kind ever being done before in any corporation that I was on the board of directors of: When matters of that kind come up they are naturally discussed with our legal department. (R. O. Tes. 58-60.)

No question of the amount of money called for under recapture for the year 1923 was under discussion between myself and Mr. Kirby or between myself and Mr. Cotter. I did not know at the time this vote was passed that there was a possibility of there being money subject to recapture. That had never been called to my attention at that time. [fol. 200] I have no knowledge of the existence of the recapture provisions of the law.

"Q. So that this was done in entire disregard of any possibility of any money being called for by the government on recapture?

"A. It was done after I had a conference with Mr. Kirby and found out that it was legally correct, as far as we could ascertain."

There was no agreement, understanding, trust or agency established as to that $25,000 in Mr. Cotter's hands for the benefit of the corporation or of any other person. That would be a reflection on that concern. We do not do business that way. (R. O. Tes. 60-61.)

I think it was also discussed at that time, naturally, how much was due from the East St. Louis & Suburban to the O'Fallon.

"Q. You thought it good policy to give the whole of the accumulation of past excess to Mr. Cotter?

"A. Well, that did not enter into it as much as the valuable services that man had rendered that made me come to that decision." (R. O. Tes. 61.)

Concerning the valuable services rendered by Mr. Cotter in the East St. Louis & Suburban controversy: He certainly must have rendered valuable services; otherwise we would not have gotten that decision. We first had our general counsel, Mr. Kirby, who rendered valuable services, I think, in relation to that matter—he is paid a salary by the year, but is paid extra for some of these things too. Let me correct that—he is paid a salary by the year by the Brewery, and I am sure he draws a certain salary from the Manufacturers Railroad and the O'Fallon. He gets his principal compensation from the Brewery; we require him almost daily. (R. O. Tes. 61-63.)

"Q. His services to the Carrier is incidental to his services to the brewery?"

[fol. 201] "A. I am not so sure about the salary; he is one of our directors; whether I pay him for that legal advice, I am not so positive of.

"Mr. Brown. We will develop that through Mr. Cotter. The fact is Mr. Kirby does not get an annual salary from the railroads.

"The Witness. He is attorney for us in so many enterprises, I may have made a misstatement there. He represents us in a great many things and we pay him a yearly salary."

We had another attorney in the East St. Louis & Suburban controversy; I do not recall his name. The records will show what he was paid. I have no idea. I think I was consulted as to that at the time we were discussing the matter, that we would need help to argue that case. I do not remember offhand how much was paid for that. (R. O. Tes. 63-64.)

"Mr. Doherty. Do you know that Henry L. Childs of Springfield, Illinois, represented the O'Fallon in the controversy before the Interstate Commerce Commission as to the East St. Louis & Suburban?

"A. I do not remember the law firm's name."

I probably knew at the time that that firm had received $5,000 for services; I don't remember right now. I am sure it was brought up at that time in relation to employing another firm in that controversy. I do not recall the details. I do not recall the details of how much was paid to Clark & LaRoe for services in that matter.

"Q. Do you knew whether it approximated $7,500?

"A. I am sure the records are all here and will speak for themselves."

Offhand, I have no idea of the amount; I cannot remember all those figures.

"Q. Now, after those expenditures had been incurred in relation to the East St. Louis & Suburban controversy, what special services were there that Mr. Cotter rendered that called for a payment of $25,000 more?

[fol. 202] "Mr. Brown. I object to the question.

"The Witness. As I said previously, gentlemen——

"Mr. Brown. Just a minute before you answer, Mr. Busch. The question is unfair because both Mr. Cotter and this witness have testified that $25,000 was compensation and was not restricted to that case, but to the general improvement of the property under Mr. Cotter's direction. Now, counsel for the government twists the situation into the form of a question where that compensation is for this service alone and it is a most unfair question.

"Mr. Doherty: Then that resolution drawn by your chief counsel, Mr. Kirby, which states that that is the purpose of this payment must be subject to that criticism."

We naturally did not put everything into that resolution, but Mr. Kirby and I and the Board naturally talked about the valuable services being rendered by Mr. Cotter and came to those conclusions. It may be true that we embodied our principal thought in the vote, but the principal thought was there was a valuable service rendered, and we thought he was justly entitled to that compensation.

I should say yes emphatically that there were valuable services rendered worth $25,000 in that case; I would not want to be the chairman of the Board if I could not decide yes or no. There were important services that rendered in that case—in that case and every other case—worth $25,000. (R. O. Tes. 64-67.)

Confining the question to the East St. Louis & Suburban controversy, and concerning the valuable services he rendered in that case calling for a large payment: He evidently presented his case very well to the lawyers that went before the Commission and got that refund.

"Q. Well, Mr. Busch, the corporation did not gain very much from the refund if it gave the whole of it to Mr. Cotter?

"A. Well, in addition to that it got per mile more, or more compensation after that."

[fol. 203] That was for the future. I do not know that the whole past was given to him. I think the refund, if my memory serves me correctly, was $28,000. That is approximately $25,000. Let me say again it absolutely was not for a specific case that warranted that $25,000. It was for the

valuable services he has been rendering all along to the company. The whole matter was discussed and Mr. Kirby and I naturally considered it from every angle, and we thought we ought to pay Mr. Cotter that sum. (R. O. Tes. 68-69.)

"Q. Well, was there any special service that he rendered in that case that called for any especially large compensation?

"A. Now, if you had brought that case to me, don't you know, and had not done me any other valuable services heretofore, I would not have given it to you."

I thought his discovery of the point there was an opportunity to break that contract with the St. Louis & Suburban was worth the payment to him of that $25,000. That is the only thing that was put into the resolution, but Mr. Kirby and I talked about the valuable services rendered. Those valuable services had been going on ever since Mr. Cotter came with us. As to why Mr. Cotter did not get proper compensation before that time, if we thought he was entitled to it: The roads did not earn sufficiently until we came to those conclusions. (R. O. Tes. 69-70.)

"Q. They were not earning then. They simply had money made available at that time and you thought it would be a good time to make payment for the services that had been performed?

"A. Well, gentlemen, I can only answer that I think the services rendered by Mr. Cotter and that $25,000 he received for that work was just and fair in my estimation. I do not see, gentlemen, how you can come to any other conclusion when you discuss it very thoroughly from every angle, how you could do otherwise. (R. O. Tes. 70.)

[fol. 204] "Mr. Doherty. You got $28,000 from the East St. Louis & Suburban. What percentage was that of the total haul payments that you had from the East St. Louis & Suburban?

"A. There were other valuable considerations that were gained besides the $28,000. We abrogated a contract that cost us money through the decision of the Interstate Commerce Commission, as I recall it."

I do not know what proportion of our earnings on the St. Louis——. Every other matter was taken into considera-

tion when that money was paid him. You cannot put everything into a resolution that you put up before a Board, but those other matters were discussed, and then you come to those conclusions. As to whether it was for services in the litigation before the Interstate Commerce Commission that that resolution was passed: I can answer that question this way; after discussing the matter thoroughly with our attorneys we came to the conclusion that was the proper and right thing to do. I cannot change it. (R. O. Tes. 71-72.)

"Mr. Doherty. I will ask to read into the record at this time Voucher No. 6446. 'St. Louis & O'Fallon Railway Company. To William Cotter, debtor. St. Louis, Missouri. In payment to apply upon additional compensation of $25,000 for services in connection with litigation before the Interstate Commerce Commission, Dockets 11,415 and 14,084, St. Louis & O'Fallon Railway against the East St. Louis & Suburban Railway Company, authorized at meeting of the Board of Directors of the St. Louis & O'Fallon Railway Company on April 2, 1923; $12,000. Void if detached. Voucher 6446. St. Louis, Missouri. December 13, 1923. Pay to the order of William Cotter twelve thousand dollars, $12,000. Payable at the South Side Trust Company. C. E. Wright. 1291. $12,000. If not correct return without alteration with explanation.'" (Tes. R. O. 72-73.)

(fol. 205) I am not able to specify any service in litigation that Mr. Cotter performed in relation to that case. I do not recall if that case had been pending before the Interstate Commerce Commission for several years. I do not know what the status of that case was on April 2, 1923. I knew about the course of that litigation at the time it came up, but I do not know anything more about it now. As to whether I know of any reason why Mr. Cotter should have in 1923 $12,000 or $25,000 for services rendered by him in relation to that case in that year: Those were the conclusions my attorney and I came to and the Board ——. When he discovered this point back 2 years before, I made no motion to increase his compensation. I do not recall if there had been a hearing in Washington just before April 2nd. I don't recall having any communication from Washington, from any of my attorneys, before I drew that vote. I do not recall if there was any correspondence during February

and March with Washington in relation to those then pending cases against the East St. Louis & Suburban. I do not remember at this time if there was such correspondence that my attention was called to it. I do not recall when the suggestion of the payment of $25,000 to Mr. Cotter came out, but I know the matter when it did come up was thoroughly discussed and handled in a proper legal way. I do not recall at this time where the suggestion originated. Mr. Kirby might have brought it up, or Mr. Cotter may have brought it up, but my memory does not serve me that long to handle all those details. When these votes at this meeting in 1923 were passed putting on the O'Fallon an additional expense of about $35,000 or more, I do not recall that there was any similar salary increase voted in the directors' meetings of the Manufacturers'. As I stated four or five times, the matter came up in a regular, legal way and was handled that way. I cannot state anything else. (R. O. Tes. 73-75.)

"Q. Well, was there anything that you did in getting any increase in your work in 1923 in the O'Fallon as counter-distinguished from the Manufacturers?

[fol. 206] "A. The gentlemen that operate that road in connection with me thought I did.

"Q. Well, that is a broad way for you to speak of a railroad that is under you.

"A. Well, that is the way I handle it, in a broad way."

As to whether I am in absolute control of the O'Fallon: When I appoint a president he is practically in control, and naturally I watch it along with him, but he is practically in control—and the same way in relation to the Manufacturers and with all the things that we intrust to other people. As to why all this expense was put on the O'Fallon and none of it on the Manufacurers: Mr. Cotter can answer that better than I can. My answer is that I consider them one road, and that was probably the road that had the greatest amount of cash to pay it with. Probably the one road that was making more money than the other. I do not think that the fact there was on the road some funds available for recapture had any influence on my mind at that time; absolutely not. Unless I have my statements I could not

answer intelligently as to whether at that time the Manufacturers was as profitable a road as the O'Fallon.

"Q. Well, did you not give us the impression a moment ago this was paid by the O'Fallon because they had more money?

"A. I said the records and things will show that, and I wish the Commission would refer to the records. (R. O. Tes. 75-77.)

I do not think Mr. Cotter has any other occupation but attending to those two railroads. He naturally takes a vacation, so do I, and so do, I hope, all you gentlemen.

"Q. He is not tied down there as most railroad presidents are with duties that take his full time?

"A. I think he is there; I am glad to have him there, and I am glad to pay him the salary I am allowed to pay him there."

[fol. 207] I know that it requires his whole thought and everything that is in him to manipulate those two roads and we pay him accordingly. One is 9 miles and the other is about 25. I have not made it my business to know of any similar line anywhere in the United States to these two lines where the salaries for the officers are at all comparable to the salaries that are voted here in the year 1923. We conferred with our attorneys and we came to conclusions that we thought were right and proper, and with our board of directors. (R. O. Tes. 77-78.)

As to whether in the last 10 years, there has been any change in my duties or in Mr. Cotter's duties in connection with these two carriers: We have given a good deal of time and attention to these roads. We are adding carriers (industries) to our road, and we go out and solicit those. As a railroad grows, we naturally grow and our responsibilities grow. During the last 4 or 5 years I think we have added on a tremendous lot of industries. We are a big thorn in the eye of the Terminal Railroad Association. I say that we have added a great many industries in the last couple of years on the Manufacturers.

"Mr. Doherty. Did you answer the question Mr. Cotter gave all his time to the affairs of this railroad in 1923?

"A. I have not got the impression. I know that he does." (R. O. Tes. 78-79.)

"Q. Did you know he was a receiver of another railroad during 1923 and received eight thousand dollars from the Court for services in running another road?

"A. That was many years ago. I heard of him being a receiver. I do not think it has ever taken him away from the city that I could not confer with him on my particular matters."

I haven't any knowledge that he collected $8,000 on this other road in that receivership in 1923. If I had, I would wish him well. I wish he had more.

"Examiner Kelley: What I was getting at in my questions, Mr. Busch, was the change in your compensation [fol. 208] from nothing during Federal control to $2,400 right after that and then you jump from $2,400 to $18,000. I was just wondering what change in conditions justified that?

"A. Naturally, gentlemen, when those roads were not making much money I did not think I ought to draw any salary, but when they became somewhat remunerative the thing was discussed and at the advice of counsel and Mr. Cotter I was asked to take a salary."

It was not forced on me, but they thought I was due it. I have responsibilities to my stockholders, and naturally I am entitled to compensation when the roads are in position to pay. I would not say with reference to the O'Fallon that it had not been paying up to the time this money became available from the litigation with this other road. It has been rather a paying road. I considered them together. As to what consideration the stockholders got in the disbursement of that money received out of the litigation: That whole amount was turned over to the stockholders, then vouchered out, the way every decent transaction is vouchered out. Mr. Cotter got that money that the voucher calls for or that is shown there. There was no consideration of disbursing that as extra dividends to the stockholders,—absolutely not. (R. O. Tes. 79-81.)

When I spoke about new industries: The one I mentioned is all I can recall at this time. When the question of the amount to be collected for Passenger train service, Account III, is to be fixed, Mr. Cotter represents us as

to the coal mine and as to the railroad. The rate to be paid per month for passenger train service in carrying the crews and men right to the mines is a matter of detail that would not come even to my notice. I would not know who acted for us on both sides of that transaction. The minor details of the O'Fallon's operation are not carried to me. The particular case of whether the charge for the service for our coal train employees is a fair and reasonable one has not been called to my attention. The de-
[fol. 209] tails of the rates charged to our coal mine have not been called to my attention, and, as I recall offhand, neither has the operating ratio of the O'Fallon or the Manufacturers. Any of the matters that are purely matters of operation I do not ask to have brought to me. I won't say that I am treating the question in a large way as only devoting myself to the financial matters involved principally. It is broader than that; we discuss these problems very frequently. We have discussed rates. I did know, once upon a time, about the rates charged on the O'Fallon. I knew a great deal about it, but I don't know now. I have read the statement about the valuations of the O'Fallon property once upon a time. I do not know anything about the train miles of coal carried, or the ton miles of coal carried on our road. (R. O. Tes. 81-83.)

"Mr. Doherty: I am trying to get by elimination what the questions are that can be discussed between him and Mr. Cotter. If there are any definite questions he can tell us about that they discuss as to the O'Fallon I would like to have him do it.

"The Witness: Well, naturally, if we would need anything like an engine or some cars or anything like that, that would be discussed with me, don't you know."

Things involving the expenditure of money. (R. O. Tes. 83-84.)

Redirect examination:

In my last answer I confined myself to questions involving the expenditure of money; I also would be consulted on any question involving the relationship of our road to the public and in connection with any prospective or contem-

plated relationship between that railroad and other railroads in St. Louis. We discuss bridge questions very thoroughly. I said Mr. Cotter often comes to me. It is also true that I often send for him. He is up there almost every day; when he does not come I always send for him because [fol. 210] I have some questions I want answered or brought up.

I heard Mr. Cotter's testimony with regard to the understanding that he had with me as to his salary at the time he entered our service as president of these companies. In substance I understood that all. I confirm it. In the performance of my duty as chairman of the Board, I do not undertake in any way to separate in my mind the O'Fallon and the Manufacturers Railway; I consider them one. (R. O. Tes. 84-86.)

This money was given to Mr. Cotter in the best of faith without any strings. There was absolutely no device of any kind whatsoever through which that money found its way back to the corporation or to any of its stockholders. In connection with the appropriation of that money or the payment of that money no consideration entered into my mind as to whether or not the government could or would claim recapture of excess earnings on the O'Fallon. I do not recall if at the time this appropriation was made by the Board of Directors that the Suburban case had been decided by the Commission.

"Q. Well, I think the records will show that the appropriation was made by the Board in April, 1923, and the Commission decided the case in July, 1923; so that at that time was it possible for anybody to know what the recovery or past shipments or otherwise by the O'Fallon from the Suburban would amount to?

"A. No."

The resolution confined the payment to Mr. Cotter to the amount recovered on the Suburban on shipments preceding the decision of the Commission.

With respect to the subject that I am away on a vacation part of the time and might not be available for conference during those periods: It is a fact that I am in St. Louis the greater part of the year. I should say I was away from St. Louis about six or eight weeks off and on. I come

back, you know, whenever I am needed. I am always in [fol. 211] touch with my concerns. (R. O. Tes. 86-88.)

"Mr. Doherty: Just one question. You do not mean to imply by saying that the services of Mr. Cotter were so valuable in relation to both the O'Fallon and the Manufacturers that justified payment from the O'Fallon for services rendered to the Manufacturers?

"A. I said that anything that Mr. Cotter obtained in the way of compensation for his work was right and proper and how it was divided I cannot recall at this moment, how much was charged to the Manufacturers and how much was charged to the O'Fallon.

"Q. None was charged to the Manufacturers and all of it was charged to the O'Fallon. I am trying to ascertain from you whether or not there was some of it due to him for services to the Manufacturers rather than the O'Fallon?

"A. When that matter was discussed I think it was properly booked and everything else."

I considered the two companies one company practically and on that basis that payment could be made from the O'Fallon for services rendered to the Manufacturers. (R. O. Tes. 88.)

(Witness excused.)

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Mr. William Cotter recalled for further cross-examination.

Cross-examination:

I think I stated what the salary of Mr. Busch was before the Railroad Administration took hold; it was $4,800 a year—from both properties. It was equally divided—$2,400 each. His salary from the O'Fallon was $2,400 at one time, then free for a time during Railway Administration, and then restored to $2,400. It was at $2,400 until 1923, when it was made $1,250 per month. It went from $2,400 to $15,000 a year—why not stick to the years? [fol. 212] Offhand I would say during that entire period duties of Mr. Busch, President of the Board of Directors, were pretty much the same. With respect to any distinction between the conferences that I had with Mr. Busch

from time to time and conferences which were related to his interest representative of the owners of the property, and conferences relating to his duties as chairman of the Board of Directors: They would be so closely joined that any difference would be imaginary. When I took up the presidency of this railroad the negotiations were all verbal. He came to New York to see me. I was connected with Arbuckle Brothers at that time and I had just resigned with the intention of going to St. Louis to live, really. I had no stenographic notes of the conversation. I made no notes of the conversation after it was over.

"Q. Is there anything on record anywhere previous to April 2, 1923, which we can get at as corroboration of the statement tht you made today in relation to the original understanding between you and Mr. Busch?

"A. The only evidence you might have obtained is that in 1920, under that agreement, I was increased $4,000 a year at my request."

As to whether that $4,000 a year was an increase as president of the O'Fallon: As I said before, and any number of times, I never considered the O'Fallon or the Manufacturers, either one of them, separately. I thought I ought to have, by reason of the showing made and the improvement made, an increase at that time of $4,000 a year. I asked for it and got it without question. (R. O. Tes. 90-92.)

In that case all of that increase was attributed to the O'Fallon, because I thought $6,000 was still sufficient under the conditions to charge to the Manufacturers. I started May 1, 1916, at $12,000—$6,000 for each. Then in 1920 it was $10,000 for the O'Fallon and $6,000 for the Manufacturers. I think I know what you are working out or what you have in mind. I have it figured out here and can give it to you if you want it. Here is what I have. I have [fol. 213] figured this out, that taking $10,000 a year for 12 years flat is $120,000. From April 1, 1920, to May 1, 1926, at $4,000, is $24,333. I am going to use the actual figure of my salary as it was on the O'Fallon clear through these two properties. I can give it to you either way, but I have figured this out and here is the result of it, that $25,000 added to the salaries already paid makes an average of $16,933 a year. I am now receiving $16,000 per

annum, so that $25,000 really made an average for the ten years of just a little over $16,000 a year.

As to whether the $25,000 was voted to me as salary: I do not care for the exact language, but I want to say this to you, Mr. Doherty. I very much resent the word "bonus." I worked for 52 years on the payrolls of railroads. I was never presented with a dollar in my life. Never did I get anything that I did not work hard for. I never received a bonus which implies a gift—never.

I do not know as a director that it was not voted to me as salary. (R. O. Tes. 92-94.)

"Mr. La Roe: I again object to the form of the question as contrary to the evidence, the testimony this morning having been very definite that it was given as compensation and not as a bonus.

"The Witness: Absolutely."

I resent the word "bonus"; I will not stand for it. Nobody ever gave me a present. I worked for what I got, always.

By Mr. Doherty:

"Q. Here is some of the language of the resolution itself:

"Whereas, the further prosecution of said matters will require a great deal of Mr. Cotter's time and services in addition to his regular duties as President which latter are compensated for by his salary, the Board deems it fair and proper that he be paid additional compensation as President for his said additional services to be rendered in connection with the further prosecution and litigation of said claim."

[fol. 214] "Does that correctly describe your idea of the purpose of the payment to you?"

I will answer that question in my own way. I would have asked for and received the $25,000 at that time if the Suburban case had never been heard of. That is my answer to your question. As to whether it is true, then, that my idea of the conversation was that it was not for additional services to be rendered in connection with further prose-

cution and litigation of the claim against the East St. Louis & Suburban Railway Company: Well, to get right down to it the way Mr. Doherty probably wants, I would say no. My answer to that question is that I received the $25,000 at that time for the results produced in accordance with my agreement with Mr. Busch when I went to work for the property; and this was a part of the results. However—well, that is all. (R. O. Tes. 94-96.)

I have in mind on April 2, 1923, at the time of this meeting, the rendition of certain particular additional services of great value to be rendered in connection with the further prosecution and litigation of that claim, and I did, as a matter of fact render considerable service in connection with that.

"Q. Will you state in the clearest and fullest way you can what additional services you rendered in the further prosecution and litigation of the claim against the East St. Louis & Suburban Railway Company after April 2 which in any manner differed from the services rendered by the President of any railroad company in litigation going on?"

"The Witness. My answer to that is this, that the decision of the Interstate Commerce Commission simply decided the St. Louis coal—nothing else. It put that on a fixed amount, I think, 20 cents a ton, as I remember.

"I then took the matter up myself, personally, and settled with the East St. Louis & Suburban Railroad all the rates on coal moving outside of the St. Louis coal and changed the rate to 30 per cent. of any rate rather than any fixed amount. We had been fighting against that fixed [fol. 215] amount in the contract. We wanted only what was fair. It would not be fair to the other people to have a fixed amount, in my opinion. If the rates dropped we were still getting that same amount, which would be unfair. It would be much more fair, in my opinion, then and now, that we get a percent. of any rate that a car of coal carried, whether to St. Louis or Omaha or wherever it went. I settled that."

Those things that I referred to would not exactly or entirely come under my duties as president of the railroad in any event. Some presidents might take a case of that kind and settle it; others would not. There is no fixed

rule as to what the President shall or shall not do, you know; and I took that upon myself because I thought I could handle it better than anybody else, even any lawyer; and I did settle it. (R. O. Tes. 96-98.)

As a matter of fact, I had for the O'Fallon only two large rate problems: One, a rate from the Busch mine and the other the rate from the mines on the East St. Louis & Suburban, but if you will pardon me just a moment, you have a great many destinations, the rates being different. It is true that those were the two principal shipments over our line no matter what the destination was. The destination has quite a bearing on it.

"Q. So that instead of an army of shippers to deal with, you had only two parties to contract with to get a fair result. You found as to one of them, the East St. Louis & Suburban, that there had been a contract rate of long standing in force with that company. Is that correct?

"A. The long length was ahead of us. That was the trouble about it. That is what bothered me."

The contract had been made before I came with the company, so that for some years that had been in force. Three or four years before 1923 a petition was filed for a hearing on that subject before the Interstate Commerce Commission and that was very fully heard by the Commission. Our counsel was Mr. Childs of Springfield, Ill., working [fol. 216] under the supervision of Mr. Kirby, our general counsel, he was really in charge of the case. In 1923 that litigation had continued for about three or four years. Clark & La Roe were employed in the fall of 1922. You will have to look at your own records for the date of the examiner's report on that hearing conducted by Mr. Childs; I do not remember. (R. O. Tes. 98-100.)

I cannot remember whether there had been an examiner's report before Clark & La Roe were employed or whether the first examiner's report was before they were employed. Anything that is a matter of record, as to most things, is not in my mind.

"Q. (By Mr. Doherty.) Had you rendered up to that time all the services you could as president of the road toward your side of the controversy with the East St. Louis & Suburban?

"A. I did what is often done: I had left it in the hands of the attorneys, thinking they were competent and efficient, but they were not."

Along about 1922 or 1923 we made a change and got new counsel. I will not say that we started a new proceeding before the Commission or started a second proceeding or authorized a second proceeding. I simply employed new counsel and they handled the matter. Ask them.

It is Greek to me whether there had been, under the handling by the old counsel, a case or proceeding known as Docket 11415. Mr. Clark or Mr. La Roe would have to explain if there was another proceeding, Docket 14064, begun. Mr. Childs was never eliminated from the counsel in an advisory capacity until the matter was settled by the Interstate Commerce Commission. I did not discharge Mr. Childs nor Mr. Kirby. I employed Clark & La Roe.

As to whether there are any charges on the O'Fallon books as far as I know for any services of Mr. Kirby in that litigation: I will explain that to you. Nagle & Kirby are general counsel. They did not receive a cent of money except as they put in their bill for each different case they [fol. 217] handled. Sometimes Mr. Kirby does not give us a bill for two or three years on some particular case. Then he lumps it all and throws it in and we pay it if it is right. He is not retained in any sense. (R. O. Tes. 100-102.)

Mr. Kirby is the general counsel of the Busch interests—employed particularly by the Busch interests, separate from the railroads. I will explain that to you in a moment. Mr. Nagle is one of the trustees of the estate. Therefore Nagle & Kirby are partners, with half a dozen other lawyers.

I presume—I am just assuming this—that Mr. Nagle does not appear in cases because he is a trustee; so Mr. Kirby is the recognized head of the legal department of the Busch estate and many of the interests that Mr. Busch owns and controls. His payments come to him through the Busch estate rather than through the railroad, unless he serves a bill upon the railroad. Our relations are absolutely different in that we do not know what Busch pays Kirby. We have no means of knowing, and do not care. It does not interest us. Mr. Busch says they pay him a retainer or a salary. That is the first I ever knew of it. I never asked the question. But his work for the railroads

is absolutely and entirely separate and he renders a bill to us at his pleasure. Sometimes it is two or three years before we get a bill, and I have no doubt, if we looked it up—I will not say this positively, maybe all of the services that he rendered in the Suburban case might have been lumped in one year. I do not know; I do not remember. Our records will show, however.

If I have paid him anything it has been upon a bill rendered to the railroad separately from his service with the other Busch interests. We hardly speak to the Busch interests. We lean over backwards in dealing with them. As to your question concerning the additional services after April 2, 1923, I rendered in the further prosecution and litigation of that claim: I am not in any sense an attorney, you know. I do not prosecute nor litigate; so I did nothing [fol. 218] if that is what you want. If you want an exact answer to the question you hand out, there is the answer to it.

"Q. And you do not know anything about what additional services in the further prosecution and litigation of the claim resulted in that success?

"A. There was not anything further after the decision of the Interstate Commerce Commission. The attorneys had absolutely nothing more to do with the case."

Mr. Clark's statement that on April 2, 1923, the Commission had not decided the East St. Louis & Suburban Railway controversy, is, as usual, correct. A decision was given. When you are reading off those dates it does not mean much to me. I do not know what you are driving at. But the decision was given, as I understand it, on the 13th of July. So when you speak of April 2nd, I do not know. You are getting down to technicalities. The record shows all that. I would like to say there, if you will permit me—the last hearing—I do not know what the date was now, Mr. Doherty—but Clark & LaRoe handled the question. That is really the last work they did. I do not know whether it was April or July. (R. O. Tes. 102-104.)

If you will get back to the last hearing in the case, then Mr. Clark stopped for the time being and I took it up and settled the case myself beyond then. I am not a litigator nor a prosecutor.

"Q. And you had nothing whatever to do with it except to be a witness?

"Examiner Kelley: He has already answered that he had nothing to do with it.

"The Witness: I have answered that. I hope I have made it clear."

After the decision of the Commission I made a settlement myself wi h the East St. Louis & Suburban as to all rates—including the St. Louis rates. The Commission had decided the St. Louis rate but that did not prevent my making a different arrangement after their decision. I did so. I did clear that up once very fully and clearly. It is true [fol. 219] that the Commission had only settled the St. Louis Rate. I stated that I cleared up all the rates with the carriers after the decision and made new arrangements all the way around including all of the rates, and changed the fixed amount to a percentage amount which we thought was fair to both sides. I thought I made that very clear. (R. O. Tes. 104-106.)

I think it has been brought to the attention of the Commission that I have changed the St. Louis rate from the rate that was fixed by the Commission; but as attorney for the Commission you ought to know that that is not necessary. If you do not, I will tell you that it is not necessary.

"Mr. Clark: In order that we may have a record here that is intelligible and that will indicate what is being talked about, I want to suggest that the rate was not changed either by the Commission or by Mr. Cotter. The level of the rates was not in that case. It was purely a question of the divisions of the rates.

"The Witness: That is all; and the Examiner will tell you that we have a right to do that at any time. I thought Mr. Doherty knew that. I am sorry."

Since the Commission acted upon our petition I have changed the division of the rate from a fixed amount to percentage. It amounted to practically the same. There might be a fraction of a cent or so difference, but it was practically the same. The change of the St. Louis rate did not affect the other rates.

The changes in the divisions of the rates other than St. Louis logically followed from the change in the divisions

as to St. Louis traffic; it gave us a higher rate, all right. We would get 18½ cents instead of 10.

"Q. You still do not get my question. Did the change which you actually carried out with the East St. Louis & Suburban people logically follow from the change that was made in divisions as to the St. Louis rate?

[fol. 220] "A. No, it would not logically follow. It would mean we would have to go before the Commission again. It would be a different case altogether." (R. O. Tes. 106-108.)

The percentage of rates beyond St. Louis was not at all affected by the fixed amount established by the Commission. They did not deal with anything but the St. Louis rate. You see, if it had followed on the line that I think is in your mind, that we got 20 cents on all the rates, we would put the coal company out of business, practically. They could not afford to pay us 20 cents on a through rate lower than the local rate. We wanted to be fair. If we had translated the fixed amount into a percentage, the percentage applied to all rates then. It made it fair. If the rates went down, we would go down. The percentage that we got as a division after our settlement with the Suburban people was not a percentage of the total through rate, because there are so many different rates in the sense that I am thinking now, it would be different on each different rate; that is, the amount resulting from that 30 per cent.

"Q. If your through rate to Omaha, for example, was one figure and the rate to Hannibal, Mo., was another figure, under the percentage basis which you agreed to you did not get exactly the same amount on those two shipments?

"A. Oh, absolutely not. No; we got 30 per cent. of whatever the amount was to Omaha and whatever it was to Hannibal—30 per cent. of any rate."

The percentage is the same all the way through, wherever a car of coal went. That is all there was to be done, and the whole thing was settled. I have said to you several times that that is not what I got $25,000 for. That is simply an incident in connection with the other features for which I got $25,000 for. The $25,000 was for the results produced by me. That was a part of the results. I think

I have answered that sufficiently. If the examiner can stand it I can. I have nothing else to do. (R. O. Tes. 108-110.)

[fol. 221] "Mr. LaRoe: Mr. Examiner, the resolution plainly shows what his services are as president, the quotation being, 'additional compensation for his services as president.' Mr. Doherty is trying to give it a slant to show that it was apart from his duties as president. As a matter of fact, it was included in his duties as president along with a lot of others.

"Examiner Kelley: Additional duties, is all that Mr. Doherty has been talking about.

"Mr. Doherty: I have never misquoted the resolution itself."

As to whether I was notified during the Railroad Administration to increase the amount of the passenger train charge of $300 a month for the transportation of mining crews from the Busch mine to East St. Louis: My recollection is that there was a general order issued that 3 cents a mile should be charged for all passengers, regardless. (R. O. Tes. 110-111.)

By Mr. Doherty:

"Q. Why, on the books of the O'Fallon, was the charge changed from $300 a month for the Busch employees of the mines to $1,000 a month during Railroad Administration control?"

(Answer by Mr. Wright:) The order was given during the time the O'Fallon was under the jurisdiction of the Terminal Association, during the period of Federal control. We were under Federal control about four months.

(The Witness:) That is what I thought. I felt that I knew, but I just wanted to make sure. Charges were made on the O'Fallon books during government control at $1,000 for the transportation of the Busch mining employees by orders of the government. That amount was never collected. It was wrong. They should not have given any such order. You would have to ask the Terminal Railroad Association of St. Louis as to whether that order is in existence. They were in charge of the property. It was [fol. 222] turned over by McAdoo to the Terminal Railroad

Association. I did not say that there was no record on the O'Fallon showing that order; I do not know. I do not know if I was asked by counsel to obtain such an order. They would not ask me. They would ask Mr. Wright or the auditor.

(Mr. Wright:) In our settlement with the United States Government we did not sign waiver of income.

(The Witness:) I did not think so. (R. O. Tes. 111-114.)

When we settled with the Railroad Administration it was not upon the hypothesis that $700 per month more had been received from the Busch employees in transportation charges. We did not receive $700, and we never made any settlement with the Railroad Administration. There was not anything to settle. We were satisfied and so were they, so we have each forgotten it. That is the way the matter was settled up.

"Q. And they had ordered you to charge $1,000 a month and you, as a matter of fact, for that same period only charged $300?

"A. We could not. The order was wrong.

"Q. I want the fullest explanation from you of the reasons why you went back to the $300?

"A. We never left the $300.

"Q. Do not your books show a change to $1,000?

"A. We collected over $300.

"Q. Do your books show charges at $1,000 a month?

"A. Just a moment, now. You are getting beyond my province, if you please. Mr. Brown will put on the man who has the books and records and who will answer that question very fully."

As to whether I am at all prepared to justify the charge of only $300 a month for the train service rendered for the [fol. 223] Busch mine employees: If we were put right down on our uppers and made to prove it, I would almost admit we were cheating the Busch interests, charging them too much, probably. I do not know as to that. That would be my impression, that maybe we overcharged them.

As to just how much transportation is involved for that $300 charge: We run an engine out in the morning to the mine. It is about 8½ miles. We take a few of them out at the starting point, at East St. Louis, and the majority of

them at French Village, 4½ miles. The automobiles will eventually beat us out of that little revenue, I think. We bring them back in the evening. It is transportation all within Illinois, one way, each day the mine works, from East St. Louis to the mine and back again. (R. O. Tes. 114-116.)

In performing that service, taking the year 1921, I do not know how many special passenger car miles we ran in that service. That, I presume, is a matter of record, we will say.

No doubt at the time we discussed it I figured it up to determine whether or not the $300 a month was remunerative. As to what basis I figured the $300 a month on: I would not shoot in the dark on that, you know. I found the $300 there, when I went there, and I looked into it and let it ride. It looked good to me, and I thought we were getting the best of it. I think so yet. I never made any computation to see how that figured up in comparison with our freight train service per mile. I would say we were not getting more than we were getting for our freight train service. (R. O. Tes. 116-117.)

"Mr. Doherty: I am trying to ascertain if there was any basis that he can give at all by which he tested the fairness of it, even when the Railroad Administration required the charge to be made of $1,000 a month for the same service.

[fol. 224] "The Witness: They were wrong.

By Mr. Doherty:

"Q. Will you demonstrate the fairness of the $300 and the unfairness of the $1,000, as a practical railroad man?

"Mr. Clark: May I suggest, Mr. Doherty, that if what you want is the fact with regard to the conditions under which this service is rendered and the cost to the carrier of the service, those figures are all here to be introduced by another witness.

"The Witness: I told him that."

I would prefer my answer to stand that way—that I do not know enough about it to give exact information and we have a witness who can. Put it that way, if you please. (R. O. Tes. 118-119.)

Redirect examination:

I have been connected with the railroads fifty-two years. Since I was 18 years old—for 49 years I have been in charge of men. In that length of time I have come in intimate contact with the levels of salaries and wages and compensation of railroad officials and others. I have earned all those salaries from one dollar a day up. I worked on the section at one dollar a day, and I am proud of it. It is a fact that the salary or compensation paid a railroad president, confining it to that particular position, is determined somewhat by what the railroad president accomplishes; and if he does not produce results he is on some other railroad. There is no sentiment in Wall Street.

"Q. There has been a good deal of examination during the day as to what you have accomplished for the O'Fallon that might be worth $25,000. I hand you some papers which apparently show the comparative balance sheet of the O'Fallon for the period when you went with it and for the year ended December 31, 1923. Will you pass one to the Examiner, please?

[fol. 225] "Did you have this statement prepared?

"A. Yes, sir, I did. I simply had it copied, you understand, from the books."

The statement shows here what I wanted to show; that is, it shows finally an increase in the value of the property of $1,134,000, the increase in the property and the amount of money paid.

Here is a summary, you will see, at the bottom, Mr. Examiner—road and equipment $149,723.65; land purchased $216,150. That is all out of earnings. Cash and securities $264,407; supplies $48,423; miscellaneous $3,956; first mortgage bonds, retired, $136,000; dividends paid $315,750.

I should have asked for a percentage on the results that I produced. (R. O. Tes. 119-121.)

This statement shows that I retired $136,000 of first mortgage bonds and paid additional dividends of $315,000. It is true that under my management the corporate surplus increased from a little over $300,000 to practically $750,000.

(The statement referred to, consisting of two sheets, was received in evidence and marked "Carrier's Exhibit No. A-1, witness Cotter, July 12, 1926.")

I do not think there were any other additions to property on the O'Fallon out of earnings attributable to my efforts not shown on this statement; I think that covers it.

The statement you hand me purporting to concern coal divisions and the movement of coal to various destinations was not prepared under my direction for the reason that we have so many different departments and duties, and so forth, that we divide ourselves up under all kinds of titles, if you please. Mr. Wright would handle this matter, he and Mr. Marsh, entirely. I would probably never see those figures.

"Mr. Brown: I will reserve the exhibit for Mr. Wright's qualifications." (R. O. Tes. 121-122.)

[fol. 226] The destinations shown on this exhibit other than St. Louis are embraced within the agreement which I made and to which I referred on cross-examination. It is absolutely a fact that the changed or increased divisions were the results of my efforts alone.

By Mr. Brown:

"Q. Looking into the future, Mr. Cotter, what does this mean to these properties as to destinations other than St. Louis, in actual money?

"A. That is hard to say, Mr. Brown. How much is left of that 99-year lease?

"Q. It was executed in 1903.

"A. For 80 years the O'Fallon Railroad will collect from the East St. Louis & Suburban 8½ cents a ton on every car of coal moved out of their mines more than they would if this arrangement had not been made—for 80 years."

Nobody can make an estimate as to what that sum would be, but it would certainly be an enormous amount of money. I wish I had it.

Concerning the reference made to discussions preceding a directors' meeting: We generally do not discuss these things before a directors' meeting. It is not a common practice among the railroads that I have been connected with to consider these things in advance. You might talk to one man or two men as you meet them. I will call Mr. Wright—and I will say this, that I have very few things on those two railroads that I do not discuss with Mr. Wright.

If there is anything connected with accounting Philip Marsh is brought in. Then we have three heads. There is something that I want to do, for instance. I think this should be done, and maybe they will talk me out of it. All right. If it is big enough, then it goes to the board of directors. But I do not presume, you know, to run even those little railroads as an autocrat; no. (R. O. Tes. 122-124.) [fol. 227] I always talk a thing over with Mr. Marsh and maybe with Mr. Bush before I go into a directors' meeting. I see nothing improper in that; I think it helps the situation very much.

I said the Manufacturers' Railway Company was turned over to the Terminal during Federal control. It is absolutely a fact that the Manufacturers' Railway Company is the only thing in the vicinity or in the Terminal district that presents a complete monopoly. We were down here talking to the Commission on that very subject. It is the only possibility of building up a competitor of the Terminal Railroad Association of St. Louis. I regard that as a very, very important question of public interest. From my long experience as a railroad official, I say it is a very rare thing for the Chairman of the Board of Directors to devote all of his time to railroad work. In most cases it is a fact that the Chairman of the Board is a banker or financier or some other type of business man. I know of no case where the railroad for which the Chairman of the Board serves has kept a record of the time he has devoted to that service. In 99 cases out of a hundred he would not accept nor continue in the position if he had to push a workman's button. I don't know of any case in my long experience where the salary of a Chairman of a Board of Directors or any other director as such has been made based on the time that he actually spends in the pursuit of that work. (R. O. Tes. 124-126.)

It is not a fact that in so far as I had anything to do with this increase in my own compensation or in the compensation of Mr. Busch I had, or, to my knowledge, anyone else had, any thought or consideration of the fact that the O'Fallon's property might be called upon to respond to recapture. That thought never entered our heads; never. It was given no consideration in connection with that.

[fol. 228] This transaction by which this money was voted to me by the board of directors was in perfect and complete good faith; it was my due owing to agreement.

The money that was voted to me by the board of directors was paid to me; it became my personal fund. No part of it by any device whatsoever found its way back either to the corporation or to any of its stockholders. It was mine and I spent it as I chose. (R. O. Tes. 126-127.)

Recross-examination:

I knew about the recapture provisions in the law before 1923.

"Q. And you knew in 1923 of the possibility of your road being called upon to respond to that provision of the law?

"A. I knew we would be asked in connection with it; yes."

That was not a matter I talked over with Mr. Kirby. I do not remember if the legality of that was discussed with him; I do not think so.

"Q. There was no discussion on the subject with him so far as you know?

"A. Just a moment. Any discussion by whom?

"Q. By anybody, with Mr. Kirby; that he knew about it, as to the legality of the action that you were going to take on April 7.

"A. No, sir. The only discussion I had with Mr. Kirby that I can recall was that I said to him that it was about time I was getting an increase in salary and I was going to ask for it in the immediate future. That is all."

I did not at that time make any reference to the question of recapture and no one that I know of did. I do not know about all. At the meeting no one did in my presence. This aspect as to recapture was never gone into by me. (R. O. Tes. 127-129.)

I claim that the advantage shown in these balance sheets, comparing May 1, 1916, with December 31, 1923, is the [fol. 229] result of my handling of the property. It was on the down-going elevator, when I got there. From 1916 to 1923 there was but one rate increase allowed by the Inter-

state Commerce Commission that was not due to my personal efforts in obtaining an increase in rates because we were not getting sufficient revenue. I will not answer your question as to whether there were not 3 general increases in rates from 1916 to 1923 for all carriers, because I cannot be positive about it. I do not think so, however. The Director General increased rates in Railroad Administration times once that I recall; I may be wrong on that—and then took it away from us again.

"Q. Was there not a general increase in railroad rates that your railroad got the benefit of during the Railroad Administration to a large extent?

"A. You do not seem to understand that we do not participate, as a rule, in increases in rates. We get an allowance; we do not get a rate as you call it."

"Q. But the greater the rate the greater your allowance?

"A. I beg your pardon again—no, sir."

We do not get a percentage on the Manufacturers—which I am speaking of now. I did not know you were speaking of the O'Fallon; there was an increase, yes, and there were decreases. You do not think for a minute that I can tell you of the various increases from 1916 to 1923 out of my head. The amount of the last one was a decrease by the State Commission of Illinois. The Interstate Commerce Commission had nothing to do with that. About a year ago.

(Mr. Wright:) About 3 months ago. (R. O. Tes. 129-131.)

(Mr. Wright:) The increase by the Interstate Commerce Commission was 40 per cent.—General Order 28, 25 per cent.

(The Witness:) It also shows in our annual reports. Before that 40% increase by the Interstate Commerce Com- [fol. 230] mission, I would have to ask for our records as to the percentage of increase by the Railroad Administration. It is not in my head. If you will permit me to say, there was some switching around from one road to another, and apparently while you were asking questions about one road I was unconsciously answering questions about the other road. So you had better wipe that all out and start over again. (R. O. Tes. 131-132.)

I am not prepared right now to tell you how much of this change in figures from 1916 to 1923 is due to changes in rates. All of that other back there should be wiped out, because you were asking on one railroad and I was answering on another. I did not understand that you were asking about nothing but the O'Fallon. I have been answering as to one property. That is the only way I ever think of it, as one property; and if you had made yourself clear that you were asking as to a part of that one property——

By Mr. Doherty:

"Q. Your exhibit relates solely to the O'Fallon."

Speaking of the O'Fallon now, a considerable proportion of the increase that is shown on the balance sheet from May 1, 1916, to December 31, 1923, was due to increases of rates that were general for all railroads in the United States. I presume I could figure out how much of it is my effort and how much is due to increase in rate. You are trying to measure, if you please, whether or not I am entitled to any increase in salary because of results produced? You are measuring. I say to you that a considerable amount of that is due to increase in rates. It can be done—measuring just what I did. That is an accounting proposition. That can be done. That is a foolish question to ask me if I am able to give you any light upon that now. No, I cannot; that would have to be figured out. (R. O. Tes. 132-135.)

In 1923, I had other employment. I heard Mr. Doherty say something about my being receiver for the C. P. & St. [fol. 231] L. road and getting $8,000. My salary on that road as receiver was $3,600. Mr. Doherty's information is not reliable. I said that may salary was $3,600 a year as receiver, and I am now the sole receiver. In 1923 I was the receiver. In 1923 I did not collect for more than one year. At the end of this year I will collect for a good many years. It will not be spread either backwards or forwards. During 1923, I collected for 1 year.

"Mr. La Roe: Have you devoted substantially your whole time to these railroad properties, the Manufacturers Railway and the O'Fallon?

"The Witness: Yes and no. I have other things. My conscience is my guide as to what time I shall actually spend.

"Mr. La Roe: I am talking about your business time, whether your business time is not devoted mainly to these properties.

"The Witness: Oh, yes. I devote very little time to the C. P. & St. L. road. In fact, now it has practically gone out of existence—very, very little time."

By Mr. Doherty:

"Q. I would like to know what you reported as to the time you spent on the other road to the Court when the remuneration was fixed as receiver. Was it on the basis of any diversion of your time?

"Mr. La Roe: Objected to as not within the scope of this examination."

,'Mr. Doherty: Taking 1923. He is president of this company; he is also receiver, and has been, for another company, and his salary is increased by $25,000 in that year. I think it is material to show in this record what portion of his time was taken up by other duties than those pertaining to this railroad. That is all I am asking for.

"The Witness: I will answer that, Mr. Examiner. The General Manager is in charge of the C. P. & St. L. road. He comes to St. Louis once or twice a week and he and I [fol. 232] have lunch together. That is the time spent on the C. P. & St. L. road." (R. O. Tes. 135-138.)

As to what the rate was to Chicago from mines on our line of railroad prior to May 31, 1917: In the first place, I do not know what the rate was, and in the second place I do not believe we ship any coal to Chicago except very, very occasionally. Our coal does not go to the Chicago market. I do not know the rate, whether it was 97¢ or $1.97 per 2000 pounds. How could I carry that in my head? I do not know if there was an increase in our rates on coal to Chicago on May 31, 1917. (R. O. Tes. 138-139.)

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Mr. A. E. Wright was recalled as a witness and, having heretofore been duly sworn, testified:

Direct examination:

I have testified before in this proceeding and have stated my qualifications. The exhibit showing the amount of coal from points on the O'Fallon is an accurate statement of such movements. It shows the tonnage of coal handled by the St. Louis & O'Fallon Railway Company for the East St. Louis & Suburban Railway Company from August, 1922, to July 13, 1923; the revenue at the increased rate granted to the St. Louis & O'Fallon Railway under the provisions of the order of the Interstate Commerce Commission in Docket No. 14064; the amounts paid under our old contract and the total retroative collections to July 13, 1923.

(The statement referred to was received in evidence, marked "Carrier's Exhibit No. A-2, witness Wright, July 12, 1926.")

I am familiar with the operation of this so-called mine train. That is an operation wholly within the state of Illinois. We have had on file with the Illinois Commis-[fol. 233] sion ever since that train has been operated a tariff covering the movement. (R. O. Tes. 139-141.)

That operation is conducted wholly for and on behalf of the miners working at the mines. There is no other means of transportation available for the men to reach their work. The mines of the coal company are located in what we know as Nigger Hollow, Ill., several miles from East S. Louis and several miles from the nearest street railway. If we did not have that train to take the miners over and take them back, we would not have any coal. Our roundhouse is at East St. Louis. We don't keep a locomotive at the mines. We never have occasion to have one there during the day except during the regular course of working at the mine. At intervals during the day we have a locomotive there at all times when the miners are working. It would be necessary to take that locomotive from East St. Louis over to the mines every day, regardless of the miners' train; that is to say, every day that the mine works. If we did not take over those coaches that accommodate the miners we would have to run light. That is also true of bringing the engine back

to the roundhouse in the evening. As to the character of the equipment constituting this miners' train: There are seven old, antiquated passenger coaches, so old, in fact, that I do not think our accounting records show their actual age. They have been equipped with parallel seats or benches. All of the old regular passenger seats have been removed, and they are operated purely for the use of the men. We did not during the period of Federal control, receive any order from the United States Railroad Administration directing or authorizing us to make a charge of $1,000 instead of $300 per month for the operation of that train. We did not get any other order from the United States Railroad Administration requiring charging $1,000 and the collection of $1,000 for the operation of that train. We made an effort to have this charge of [fol. 234] $300 a month increased, but whether that was during the period of Federal control I would not say positively at this time. The O'Fallon Railway was under Federal control for about four months. The effort to have that charge increased was made subsequent to the return of the O'Fallon Railway by the Government. The situation with respect to the entry of $1,000 in the books was this: We made an effort to increase the compensation paid us by the coal company from $300 per month to $1,000 per month. Orders were given to our accounting department to assess bills against the O'Fallon Coal Company on that basis. The Coal Company refused to pay and appealed the question to Mr. Aishton, Regional Director at Chicago, and to Mr. Eustis, of the traffic department, in charge of passenger matters. (R. O. Tes. 141-143.)

This correspondence is in writing. (Witness agreed to furnish copies of the letters mentioned for the record.) (R. O. Tes. 143-144.)

On May 26, 1918, we received from the traffic assistant to the Regional Director of the Southwestern Region a copy of a circular addressed to all executives in that district with which he handed us a copy of the text of the order of the Director General in relation to increases in freight rates and passenger fares.

On June 1, 1918, we wrote Mr. Aishton, Regional Director, outlining to him the nature of the passenger service which we performed for the miners between East St. Louis

and the mine of the St. Louis & O'Fallon Coal Company. We advised him that a nominal charge was made for that service because the nature of the contract which the coal company had with those miners made it almost impossible for us to collect passenger fares. That contract was that the coal company should be responsible for the transportation of men to and from East St. Louis, French Village and the mine.

[fol. 235] We advised Mr. Aishton at that time that we had made an effort to increase the charge from $300 to $1,000 per month. We asked Mr. Aishton to advise us if such an arrangement could be continued in effect, or would it be necessary that we arrange to establish tariff rate for the movement to the mine.

Mr. Aishton replied on June 11 that "General Order No. 28 requires cancellation of all existing rates on a lower basis than 3 cents a mile. I do not see how any exception could be justified. There are no doubt many situations throughout the country that require special handling, and a special conference has been arranged for that purpose to be held June 17. Your communication will be presented for consideration at that time and announcement made just as soon as a decision is reached."

Under date of June 14, 1918, Mr. Thomas M. Jenkins addressed Mr. Aishton complaining of the act of the St. Louis & O'Fallon Railway in increasing the charge from $300 per month to $1,000 per month.

Under date of June 21, 1918, Mr. P. S. Eustis telegraphed Mr. Cotter as follows:

"After further study of your letter of June 1 to Regional Director Aishton and reply made to you June 11 and other factors of the case, we are authorized by Regional Director to say there is nothing in Order 28 requiring you to raise charge on coal miners train you have been furnishing to handle miners, and suggest you take no action until matter further considered."

Under date of June 21 Mr. Aishton wrote Mr. Eustis who, on behalf of Mr. Aishton, wrote Mr. Cotter referring to his telegram and to the letter from Mr. Jenkins, and said that this was not a passenger rate at all; that "you

sell no tickets and charge no fares per passenger. You carry the miners out to the mines in the morning and back at night under some arrangement you have with the coal company, and whether or not you are being fairly paid for [fol. 236] the service you perform is an open question. You have no tariff rate nor are you selling tickets at so much per mile or per trip, and therefore there is no tariff to cancel, no rate to withdraw, no increase to be made in existing fare, and for that reason our Committee decides that Order No. 28 does not in itself apply. I would like, however, to inquire about how this price was arrived at, how many trips a day, how many times a month. $300 for 26 round trips a month is a very small price if the trip is performed for that service alone.

The following three letters relate to the development of information communicated to Mr. Eustis on June 26:

"You are correct in assuming that we sell no tickets"——

That was carried through by correspondence with the coal company, with Mr. Eustis, with legal representatives of the coal company, and was finally closed upon receipt by us of a letter from Mr. Eustis which reads as follows:

"This seems to be merely a matter of taking money from one pocket and putting it into another, and our Committee sees no reason for suggesting any changes in the plans you have made."

Those plans contemplated, as I stated, the increase to $1,000 per month. Several bills were rendered against the O'Fallon Coal Company on that basis and they were declined until, finally, on December 16, 1918, the coal company advised us that they had, as we knew, refused to recognize the demand and had always considered that their feeling was justified by the attitude of the Railroad Administration; that no entry had been made on their books setting up these charges as a liability either actual or contingent.

We restored the charge of $300 per month and have been assessing it ever since. We adjusted our books accordingly. Mr. Jenkins was president of the coal company. He is the gentleman that Mr. Busch referred to this morn- [fol. 237] ing in connection with conferring in behalf of Augustus Busch of the railroad and Augustus Busch of the coal company.

There is never a case where Mr. William Cotter represents both the railroad and the coal company. We made a change in our tariff charge for this train. We withdrew, as a result of correspondence and through appropriate tariff action, the charge of $1,000 per month and, on October 31, filed our passenger tariff I. P. U. C. No. A-3, effective December 1, 1918, restoring the rate of $300 per calendar month. That is the Illinois Commission; the tariff is still effective. (R. O. Tes. 144-149.)

I have been connected with the O'Fallon since September 15, 1913. My office is at 927 South Broadway, St. Louis, Mo. That is not the same building in which Mr. Busch has his office; it is about a block and a half away. In the course of my duties I casually come in contact with Mr. Busch, the chairman of the Board of Directors. I come in contact with him at times, but to a very limited extent, for the discussion of any matters affecting our properties. I am in very close contact with Mr. Cotter and I know something of his activities in connection with this property. I am aware of his activities in connection with other properties.

"Q. In addition to his connection with the St. Louis & O'Fallon and the Manufacturers', what other companies do you have knowledge of his official connection with?"

(Over objection of counsel for carriers, witness was required to answer.)

He is president of the St. Louis Refrigerator Car Company, as well as sole receiver for the Chicago, Peoria & St. Louis. (R. O. Tes. 150-153.)

"Q. Do you know what his salary is on either of those properties?"

(Over objection of counsel for carriers, witness was required to answer.)

[fol. 238] He receives $8,000 per annum from the St. Louis Refrigerator Car Company and as he testified yesterday $3,600 per annum from the C. P. & St. L. (R. O. Tes. 153-154.)

Only indirectly do I have personal knowledge of any of Mr. Busch's activities outside of that of chairman of the Board of Directors of the O'Fallon.

Coming now to the miners' train: I had nothing to do with the fixing of the original price of $300 per month for this service. At the time the charge was changed from $1,000 a month to $300 a month there was no computation made by me as to the proper charge for that service; there was subsequently. Since this proceeding began I have made some computation in relation to that. The original charge of $300 a month was made before any of the large increases in rates for the O'Fallon and for railroads generally. That charge was in effect long before we acquired the property. Then in the later years no cognizance was given to what effect the rate increases would have if applied to the charge for the miners' train. As to the miners' train that alone of all the charges of the company remained unaffected by the effect of the increase in rates. The miners' train is for the benefit of and is paid for by the coal companies that are controlled by the Busch interests. Specifically, I cannot give you a statement for the record of the dates and amounts of the increases in rates from the beginning of 1917 through to 1923. I am not prepared to answer details concerning rates because I have not my papers with me. I am, with those records available, thoroughly familiar with it, but I am not prepared today to testify on that subject. I have no records available, here in Washington from which I could refresh my recollection upon that matter because, for one thing, the O'Fallon is a party to thousands of rates, and it would require quite a time to give you exact information on that subject. I might state generally that we were beneficiaries of the successive increases and decreases in rates ordered by the Railroad Administration and by the Commission and those [fol. 239] increases in rates are naturally reflected in the earnings and in the balance sheet of the O'Fallon. (R. O. Tes. 154-157.)

I am not prepared to say what approximate percentage of increase was the result of those increases and decreases from 1917 to 1922, except to state in extension that the rates are not the only influence that was reflected in the income statement and the balance sheets. The traffic, the solicitation of traffic and our ability to get traffic under those rates were controlling factors. There was a very substantial increase in traffic from 1914 through to 1922. That

very substantial increase in traffic was an increase in traffic resulting from war activities and the resultant stimulus that was given to manufacture and production only to some extent; our ability to solicit the traffic in the St. Louis district is very potential, and regardless of the war production we still maintain and retain considerable of the traffic we secured. I am referring now to the O'Fallon. Our traffic is confined almost wholly to the cities of St. Louis and East St. Louis. We have a very large trade with many of the prominent industries there and with most of the large retailers. All those industries had a very marked advance and stimulus in the years following 1914 up to 1921 or 1922 and as a result of the stimulus of those industries there was a local demand for the product, the coal of the Busch mines, which was transported with the product of other coal mines on the East St. Louis & Suburban into East St. Louis and St. Louis. Practically our entire traffic consists in coal from the mines going to St. Louis and East St. Louis principally. The coal company solicits that freight in St. Louis and East St. Louis very largely; the railroad to some extent through the service of our traffic organization. We have nothing to do with the delivery of the coal; that is subject to the order of the consignees.

"Examiner Kelley: I know; but your transportation from the mines to St. Louis and East St. Louis is the delivery of coal from the mines to the industries. The mines [fol. 240] of the coal companies do the soliciting of that business, do they not, and not the carrier?

"The Witness: Very largely, yes." (R. O. Tes. 158-160.)

I am not able to tell you the increase in revenue by reason of the increase in rates per ton of freight handled in 1920 over 1914. Specifically I am not able to tell you whether the percentage of net return of the O'Fallon in 1920 over 1914 corresponds in any large degree to the percentage of increase in rates in those periods. That would require some analysis. Whatever difference there would be in those percentages would be accounted for by the increase in the volume of traffic and the efficiency with which we conduct our operation. Operating costs, too, would have an effect upon the matter I am talking about.

In my position I have nothing to do with the auditing and accounting; I am in entire charge of the operation of the company. I do not know what the difference in the rates per net ton of 2,000 pounds on coal from the mines to St. Louis and East St. Louis was previous to the advance in rates. I can find out. Naturally, I do not carry that in mind. I do not know what the percentage of increase was. There is not any fact in connection with our properties that I cannot find out for you, but I do not make any more effort to carry them in my head than anybody else does. I do not know that I have any material here from which I can ascertain those facts. Offhand, I do not recall the letter from the Railroad Administration that you say I read where something was said about the nominal charge for the miners' train. (R. O. Tes. 160-162.)

"Q. Something was said in one of those letters about the matter being a taking of money from one pocket and putting it in another. That had reference to the fact that the same interest controlled the mines that controlled the O'Fallon?

"A. Yes, sir. Mr. Eustis of the Western Passenger Traffic Committee made that statement."

[fol. 241] In making the charge for that service the fact is that it affects the St. Louis & O'Fallon Railroad Company and the St. Louis & O'Fallon Coal Company, both controlled by the Busch estate. Taking 1921, for example, the operations or the miners' train netted $3,000 to the O'Fallon. No effort was ever made to establish the rate on the basis of per train mile or passenger car mile. It was a flat charge of $300 a month. I have never made a comparison of the result of the rates per freight train mile as compared with the passenger car miles of this special train. (R. O. Tes. 162-163.)

I drew up the record of the minutes of the meeting of April 2, 1923. I was present at the entire meeting and all the directors were personally present at that meeting in East St. Louis. That was a mere formality as a meeting and there was no discussion of the subject-matter involved at that meeting. I know nothing of the negotiations that led up to the decision of Mr. Busch to give Mr. Cotter the increase in salary. I was not with Mr. Kirby when the

motion was drawn up; it was brought to me by Mr. Busch or Mr. Cotter at the meeting of April 2. I do not recall by whom; they were all at that meeting. I cannot recall who handed it to me. Mr. Kirby was not present at that meeting; he was not a director of the O'Fallon. He is a director of the Manufacturers' Railway.

"Mr. Clark: Incidentally, he is general counsel for both companies." (R. O. Tes. 164-166.)

As I recall, this increase to $1,000 originated in an effort made by Mr. Cotter and myself to get that money. I would not say as to who originated the idea. It was discussed, but whether he brought it up or whether I brought it up I do not know. I directed the filing of the tariff increasing it to $1,000. That was done at the direction of Mr. Cotter and with his permission. His thought yesterday that it was done by the Terminal Association was absolutely in error; they had nothing to do with it. I will not say that there was any need for increased revenue. We really had [fol. 242] no basis of fact upon which to attempt to increase the charge from $300 a month to $1,000 a month. We thought the charge was too low and we thought the coal company should pay more, and we just hit on a thousand dollars as the figure without any basis for it at all. We were met with an absolute refusal on the part of the coal company. Mr. Busch is in absolute control of both those interests, but he took no part in this controversy. It is a minor matter anyway. I would not bother him and we did not bother him with it. Generally, we bother him with matters of general policy—major matters, and there have been quite a number of them in the last few years, very important ones.

As to the major important matters of policy as to which I know he was consulted from 1917 through to 1923: We have had questions of sale, questions of leases of property, acquisition of property, acquisition of land. We are engaged and have been for the last 10 years, in a terrific struggle to maintain the life of the Manufacturers'. We have been engaged in a struggle for an equal length of time to carry out the purposes for which Mr. August A. Busch's father founded the Manufacturers', and that is the establishment of competitive Mississippi River service; and

just at this time and for the last 8 months we have been engaged in a very, very bitter fight over the proposed use of the Municipal Bridge in St. Louis. That is a matter of not only very, very great importance to our properties, but it is a matter of very grave concern to the city of St. Louis, and that has required a great deal of effort on the part of everyone connected with the properties.

"Examiner Kelley: That is in connection particularly with the Manufacturers Railway?

"The Witness: Both properties. It is our intention to couple them up." (R. O. Tes. 166-169.)

By Mr. Doherty:

"Q. Meantime there has been an option in existence at one time for the sale of the O'Fallon as a distinct property?

[fol. 243] "A. There was an option given on both the coal company and the railway company. There was no intention of selling either separately; but had that option been exercised and the deal consummated, it would have been utter folly for Mr. Busch not to have accepted."

Those negotiations were all carried on last year; I might say, in the summer of 1924 to late winter of 1925. There was not an option forfeited in 1923. There was nothing approaching a bargain in 1923 for the sale of the O'Fallon and the coal mines. There was absolutely not a transaction in 1923 in which there was an option of $500 forfeited. There was absolutely nothing forfeited on the option last year. Nothing was paid for that option. It was in writing. It was for the sale of the coal mines and the O'Fallon and did not embrace the Manufacturers'. It was a plan conceived by certain interests in Chicago for the amalgamation of a large number of mines and one railroad, the O'Fallon, in what we call the Inner Group of Illinois.

In addition to being Secretary, I am also assistant to the President. I said I had full charge of the operation—repairs to cars, car painting, etc., were under my jurisdiction exclusively. I have general charge of all the work excepting accounting. The checks and vouchers are handled by me and most of the correspondence.

"Q. You spoke yesterday of the books having been changed to write off the $700 a month which is the difference between the $1,000 which was originally charged and the $300 which was restored. When was that done?

"A. You will have to ask our auditor, Mr. Marsh, that question."

It is true the books have been rewritten to write off the $700 a month; there is no use of carrying an item like that. We were not getting the money and naturally could not continue to carry it into our accounts. I know that Mr. Sweney, Examiner of the Bureau of Accounts, was in [fol. 244] St. Louis. He did not talk to me; he talked to Mr. Marsh. (R. O. Tes. 169-172.)

Mr. Busch is personally a stockholder in either of these corporations. Mr. Cotter has qualifying shares in both. They are qualifying only, in fact, too. Only a short time before the meeting did Mr. Cotter discuss with me his intention to have this $25,000 voted to him at the meeting. The land at the end of the Municipal Bridge was purchased in February, 1920. I think title was taken in the name of the Southern Illinois Trust Co. of East St. Louis. That title is still in them. As I recall, the electric locomotives were purchased in 1919. Any matters I have to take up with Mr. Busch are very generally taken up through Mr. Cotter. Offhand, I do not recall at what time in 1920 the increase was given to Mr. Cotter. Mr. Marsh may be able to tell you that. We furnished Mr. Marsh information on which he entered charges on the books of the corporation for the payment of the $25,000 to Mr. Cotter; a copy of those minutes was always furnished. It was just a copy of the minutes.

"Mr. Freer: At this time, Mr. Examiner, we will offer four vouchers paid to Mr. Cotter, that is, four totaling $25,000 paid to him for the purpose noted on the vouchers themselves."

"Mr. Brown: We make no objection to the admission of the vouchers as such, but I would like the record to show that we do object to the statement or inference that they have anything to do with the compensation of Mr. Cotter for participation in any litigation; our position being entirely to the contrary."

(The vouchers referred to were received in evidence and collectively marked "Bureau's Exhibit A-3, Witness Wright, July 13, 1926.")

I stated that Mr. Kirby was director of the Manufacturers and not of the O'Fallon. There are other differences in the directorate of the two companies. Mr. Busch is [fol. 245] a member of both boards; Mr. Cotter and I are members of both boards. Mr. A. C. F. Meyer, St. Louis, and Mr. Kirby are members of the board on the Manufacturers. And on the O'Fallon only we have Messrs. J. E. Broden, E. J. O'Connor, and J. C. Dean. (R. O. Tes. 172-174.)

The Manufacturers is a general switching line and terminal company, class III. The traffic on the O'Fallon is confined almost entirely to coal, 99% coal. We perform some switching service. I do not think it has any classification as a line-haul carrier. There are decided differences in the stock control of the two. The stock of both companies is controlled very largely by the Estate of Adolphus Busch and the minority holdings were distributed to the heirs of Mr. Adolphus Busch, his several children. That is in connection with both companies. The stock ownerships in the corporations are not in the same proportions; they are entirely different; no relationship at all.

I am not a member of the board of directors of the O'Fallon. Mr. Busch is the only director of the O'Fallon who is also a director of the Coal Company. He holds no office in the Coal Company. (R. O. Tes. 174-176.)

Redirect examination:

The affairs of the O'Fallon Coal Company and the Railroad Companies are kept just as separate and distinct as we can keep them. The coal company is headed by an official who is different from the head of the railroads. The O'Fallon Railroad absolutely depends altogether upon the O'Fallon Coal Company for tonnage, with the exception of of the brick and shale we get from the Hill Brick Company, and also the tonnage from the St. Louis & Suburban, which has been steadily declining. That is generally true of all mines in the State of Illinois. As a matter of fact, last

year our tonnage was very much less than it was in previous years. The situation in reference to coal mining in Illinois is very serious.

[fol. 246] Mr. Cotter devotes 99% of all his business time to the affairs of the 3 companies. That includes the Refrigerator Car Company. I would say at least 75% of that time is devoted to the respondents here, the O'Fallon and the Manufacturers. I am associated with Mr. Cotter at all times. My office is right alongside his so that I know his movements pretty well. (R. O. Tes. 176-178.)

In connection with the increased rates, I know that during Railroad Administration days General Order 28 was issued, authorizing certain increases. As a result of that order, our increase on the O'Fallon coal was 20 cents a net ton—about 20% of an increase over that of the rate then in force. I also know that in 58 I. C. C., 220, the Commission authorized a general increase all over the country. As a result of that decision, if I recall correctly, the O'Fallon was in Official Classification Territory and got 40%. We got 40% on coal that moved to points in Western territory from the mines on the O'Fallon. I am not certain that the 40% applied to coal.

I am familiar with the fact that in 68 I. C. C. the Commission authorized a 10% reduction in rates in 1922. I recall only two increases, General Order 28 and the 40% increase.

By Mr. Brown:

"Q. Assuming that you had all the 40 per cent. increase and the 20 per cent. increase; assuming that you got both of those increases, approximately what did that amount to in percentage of the rate in force prior to Order 28?

"A. Approximately 60 per cent." (R. O. Tes. 178-180.)

We got a reduction of 10% in 1922. I will not answer specifically, but I know generally, as a general question, that since 1917 our rates have increased perhaps between 50 and 60 per cent. I know of one further decrease. In March of this year the Illinois Commerce Commission reduced the rate from mines in the Inner Group 21 cents per net ton. That was about 27% decrease on rates than in force. That is on coal destined to East St. Louis only. I

[fol. 247] would not say exactly what proportion of our coal goes to East St. Louis; it fluctuates from time to time. On an annual basis, approximately 10%.

By Mr. Brown:

"Q. For the purpose of making a comparison it is perfectly fair just to disregard that last decrease and assume that your total increase amounted to 50 or 60 per cent. In that period, taking the period from 1916 on, which is approximately the period covered by these blanket increases, were there any increases in the cost of materials and the cost of operation and wages paid to labor?

"A. Very substantial increases."

I have made a special study from our own record of the increases in wages paid to our operating men and others. This exhibit was prepared under my direction and to the best of my knowledge and belief it is a true and accurate portrayal of the facts thereon shown.

(The statement referred to was received in evidence and marked "Carrier's Exhibit A-4, Witness Wright, July 13, 1926.") (Tes. 180-182.)

This exhibit shows in specific detail the actual wages and salaries paid the employees and the class of employees enumerated thereon for the year 1913 and for the years 1920 to 1925, inclusive. I selected 1913 because other figures in the record were computed on the 1913 or 1914 basis. Other than those to which I referred, I know of no other rate increases between 1913 and 1917. I recall the 5% increase in 1914, but whether the O'Fallon was a beneficiary of that I am not able to state. The percentage increase to the employees is very substantially greater than the percentage increase of rates. The figures are all shown on the exhibit just introduced. Our pay-roll per month increased from $12,226 in 1916 to $32,385 in 1923 exclusive of Mr. Cotter's so-called additional payment. The number of employees in the earlier years is substantially the same as the number in the later years. We had an increase in our pay-roll requirements of something like 200 per cent. [fol. 248] I recall in the original proceeding witness Hood appeared with respect to the so-called equation factors. I

also produced a good many equation factors from our material accounts principally. My study at this time confirms the equation factors put in in behalf of the Bureau and in behalf of the Manufacturers' and the O'Fallon at the time, so far as I have gone into that subject. Generally speaking, my comparison 1916 with 1923, is illustrative of other years of the recapture period; there have been minor fluctuations. Our taxes, 1923 over 1913, show an increase of 351 per cent. The O'Fallon is one of a group of lines in the Illinois District, Official Territory, and has received the same increase in rates as other lines in that group—no more and no less. (R. O. Tes. 182-185.)

In connection with the operation of our so-called miners' train, as an official of these companies, I have regarded that as a special operating proposition. It is purely a question involving the necessity of getting the men to work. We did not take it up becauses of choice—we had to do it. There was absolutely no other means of transportation. We never gave the factors of ton mile, train mile, or passenger mile figures any consideration as a basis for the charge on our train. Specially I do not know of any similar operation in my long experience with railroad work where such factors have been given consideration in special operations of this kind.

It is a fact that the O'Fallon mine gets the same increase applied to other mines within the group. They are universally applied to all mines within a radius of 73 miles of the Relay depot in East St. Louis. That zone is classified as Group No. 2, or the standard Illinois field. All of the rates to East St. Louis and St. Louis from all mines within that radius are the same. There are something like 225 mines operating in that territory. I have been with the O'Fallon since 1913. To keep the operating expense down on the O'Fallon as well as on the Manufacturers' has received [fol. 249] very careful consideration. During the recapture years we have, absolutely, observed the same policy of economical management. We have given no consideration in making our expenditures to any assumption that these lines might be subject to recapture—quite the contrary.

"Q. Have you during that period treated the lines as a system operation under common management, ownership

and control, or have you handled the O'Fallon at arm's length and undertaken to spend all its funds you could?

"A. For all their activities as a system and the management of the employees from office boy to president." (R. O. Tes. 185-187.)

The commission's employees have made a rather thorough examination of our records and accounts at St. Louis—several times, quite recently. They have placed nothing on record with us as a criticism, to my knowledge, with respect to our maintenance or other operating expenses. During any one of these recapture years or during any part of the period we have incurred absolutely no expenses in connection with operations that were unnecessary. In my opinion as the chief operating man in connection with the property, we have incurred only such expenditures as were absolutely necessary for efficient and economical operation.

Concerning how, in the operation of these two properties, they are treated as a system: It is not simply that they are under one control; our work interlocks in nearly all departments. Our office work is carried on in the same office by the same people. The same accounting force handles the accounts. Mr. Marsh is auditor and treasurer of both companies. He has the same staff handling the detail work for each company. The same man who does the bookkeeping for the O'Fallon does the bookkeeping for the Manufacturers. It is not that he has bookkeepers for both roads in his office; he does the work for both companies. The employees that he employs there do also. As to what [fol. 250] other employees besides our office force: Our local office force, our car accounting force, to a large extent our mechanical force, our purchasing agent's office, my office, Mr. Cotter's office. Our mechanical work on locomotives, is all done by the Manufacturers. The salaries are not apportioned on any general basis. They are largely, with reference to mining employees, on the basis of time devoted to each company. Payment is made by each company by check from each company for the time devoted to each company; not on exact time, based on the allotted portions of the salaries. That is, each employee who serves both companies gets a salary check from each company for his services. The accounts of both companies are kept exactly

separate and are not intermingled; the revenues of one are never applied for the operating expenses of the other.

"Q. In what way are they a system except that they are under one office manager?

"A. That would require rather an extended reply. The very inception of the relation——

"Q. The relation is in the control; but I mean, in the operating machine does the traffic from one go to the other?

"A. Very largely, yes. There is a good deal of the O'Fallon coal that comes to the Manufacturers' Railway."

Occasionally something from the Manufacturers' goes to the O'Fallon; very little. The traffic of the two roads is very diverse. The traffic officers are joint; we do not have separate traffic officers. No separate traffic force. The traffic department is joint on both properties. (R. O. Tes. 187-190.)

The man who gives his time to the traffic of the Manufacturers' very decidedly has something to do with getting traffic for the O'Fallon. He is paid by both companies. That system has had the effect of lightening the burden for both properties. If they were separated the cost of conducting the operations would be double. There is not a single employee of the joint office that we would not require for either one.

[fol. 251] In the original proceeding I testified that the employees of these companies were common from the President down to the office employees. That is my answer now. I also testified that the roundhouse of both companies is on the Manufacturers' and the car shops are on the O'Fallon. I also testified that some time ago we had come to the Commission in an effort to technically consolidate the two properties.

In connection with the operation of the repair shops, any repair work done in the repair shop for the Manufacturers' Railroad is billed to the Manufacturers' the same as if it were done for any other carrier. The O'Fallon does not use our roundhouse except when locomotives are in the shop undergoing repairs and those repairs are charged for the same as if they were done for any other road. Our accounting records are kept separate because the Commission requires it. We do a great deal of locomotive work for

other railroad companies. We have done it for several of the big roads. Our treatment of the O'Fallon is no different from that of any other carrier that brings in a locomotive to be repaired. (R. O. Tes. 190-192.)

Recross-examination:

There is no train that runs over the O'Fallon and proceeds on the Manufacturers' Railway on regular schedule.

"Q. It is not a fact that the coal trains from the O'Fallon, when they reach St. Louis, are broken up into the cars for the special industries and then those cars are taken into the switching service of the Manufacturers' Railway and delivered in St. Louis over the tracks of the Manufacturers' in just the same manner as cars from all other lines entering St. Louis?

[fol. 252] "A. I cannot answer your question. You have not followed the routine of the operation at all. It is very indefinite."

When a train of coal cars starts on the O'Fallon for St. Louis there would have to be a place in St. Louis where the cars of coal are broken up into drags to be taken to particular industries by the Manufacturers'. That would always have to be the case. Every railroad in America has receiving yards and delivery yards at points of interchange. The Manufacturers' Railway does not connect with the same trunk lines that the O'Fallon does. Every trunk line entering St. Louis does not have the same service from the Manufacturers' that the O'Fallon has.

"By Mr. Doherty:

"Q. When a trunk line entering St. Louis has cars for delivery in St. Louis they are put on a switch track, the cars for delivery to special industries in St. Louis, and are delivered over the Manufacturers'?

"A. The trunk lines, with the exception of one, do not make delivery to the Manufacturers' Railway."

There are about 26 lines making deliveries besides the O'Fallon. With the exception of the Missouri Pacific, traffic for the Manufacturers Railway comes through the Terminal Railroad Association. That comes through the Terminal Railway Association from the O'Fallon.

"Q. What is the difference in the service, then?

"A. There is one big distinction at the beginning of the traffic, and that is that the O'Fallon does not deliver it to the Terminal. The Terminal comes into our yards and gets it.

"Q. That does not make any difference; it goes to the Manufacturers' the same way?

"A. The Terminal Railroad Association is an intermediate line acting for and on behalf of all the lines of the St. Louis-East St. Louis terminal." (R. O. Tes. 192-194.) [fol. 253] It delivers the O'Fallon cars to the Manufacturers' in the same way that it delivers cars from all the trunk lines, practically. There is no service for the O'Fallon by the Manufacturers' that differs in any respect from the service rendered to the trunk lines which make delivery through the Terminal.

"Q. Trains coming from the O'Fallon are in every case broken up into drags before they are taken by the Manufacturers'?

"Examiner Kelley: They are distributed by the Terminal. That is apparent on the record.

"The Witness: They get the cars from the O'Fallon through the Terminal in train lots."

We break up those trains before they are transported over the Manufacturers. They are switched and classified.

"Q. And that is done with every train, no matter what road it comes from?

"A. That is the general practice with all railroads; yes, sir."

If I recall correctly, I said I did not remember exactly all the increases in rates on the O'Fallon since January 1, 1917. To the specific question involving those particular increases, I will say yes, I do know about them. Every railroad man knows about them. I will say that there were not more than 2 others either way. I do not know if there was one on May 31, 1917, or one on July 1, 1917, of 15 cents a ton. I do not know exactly how much we got under Ex Parte No. 57. I have testified that it was 40 per cent.

"Q. You mean Ex Parte 74, do you not?

"A. Mr. Doherty, I have ample records and can produce for you as much detailed information as you want on the rate situation. I have not that information here, and I will refuse to answer any more specific questions." (R. O. Tes. 194-197.)

[fol. 254] (Respondents agreed to furnish for the record a statement of all increases in rates and decreases on the O'Fallon since January 1, 1916, within 10 days, at the same time refusing to admit its relevancy.) (R. O. Tes. 197-198.)

I am not exactly able to say how much of that increase in pay-roll I have testified to was due to an increase in volume of business.

"Q. Whether between the two dates that you testified that there was an increase in the pay-roll there was an increase in the volume of traffic?

"A. Yes, sir; decreases and increases."

In between those two dates there was a large increase in the volume of traffic. I do not know if the resultant traffic at the later date was very much larger than the traffic at the earlier date; I would have to consult our records. I do not know how much the increase in the pay-roll was due to increase in traffic. The exhibit that I have given showing the scale of wages includes just those enumerated in the statement. (R. O. Tes. 198-199.)

We did not have other employees earning wages in that period. We had others earning salaries. We had none earning wages.

As to each of these items, the item which I have given as the wage is not an average of the payments for all in that position during the year. The occupants of those positions have been with us a great many years. Taking the section laborers: Every section laborer got 17½ cents per hour during the whole of 1913. There was no change and no variation from that. No section laborer got more or got less. They are not all the laborers that appear in my list; there is the rip track labor there.

"Examiner Kelley: Can you not shorten this by the statement that these are the rates of wages paid, or are they the averages of the wages paid?

"The Witness: They are the actual rates paid. But perhaps I can clarify it by saying that with the exception [fol. 255] of the salaried employees shown on the list the rates are standard railroad rates. We pay exactly the same scale as any other railroad in that district." (R. O. Tes. 199-200.)

In speaking of the pay-roll increase of 250 per cent, that did not include the increase that was given to Mr. Busch. That was not inclusive of either Mr. Cotter or Mr. Busch?

"Q. I am not speaking of this exhibit; I am speaking of your statement.

"A. Yes, that is correct."

The classes of employees shown in this exhibit under discussion are not dependent upon the volume of tonnage handled. I should say that there were more employees in 1923 in certain departments than there were in 1916—the car repair department, for instance. (R. O. Tes. 200-201.)

I am positive that we handled more tonnage in 1923 than we did in 1916. I would not say that there were more trains run in 1923. I do not know. There naturally was if there was more tonnage, and there naturally would be more train crews. You have to have a crew to run a train. (R. O. Tes. 201-202.)

(Witness excused.)

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Mr. Philip Marsh called as a witness on behalf of the Carriers, having been first duly sworn, testified:

Direct examination.

I am auditor and treasurer of the Manufacturers Railway and the O'Fallon. I have occupied that position with the Manufacturers since April, 1911. I have been auditor of the two companies from April, 1911, on the Manufacturers, September 15, 1913, and the St. Louis & O'Fallon; I became treasurer of both companies at different dates; I cannot recall just exactly now what the dates were. Sev- [fol. 256] eral years ago though. I have worked up certain exhibits showing the cost of operating the miners' train. I

made up these statements for the five years from 1921—the last one here seems to be incomplete. It has not the 1925 on here. I thought there was a 1925 sheet here but there is not. I have taken the number of days that the mines worked during each one of these respective years and I have taken the average time each day that we handled that train which from the reports made by the trainmaster at East St. Louis was 86 minutes on the average for the round trip, going out in the morning and coming back in the evening. Then I have shown the wages of the train crew for 86 minutes, reducing this to a daily basis. The amount of coal and other supplies that were used during that time were supplied to me from the purchasing department who have studies on the subject. The interest on the investment is taken for the day without respect to the time of work of 86 minutes, so that the idle time of the equipment might be considered; also the depreciation and taxes paid and the equipment repairs, showing in 1921 coal 14.96 per day—is it necessary to read these?

The exhibit for the other years is compiled in the same way. The only year missing is 1925 and I do not understand just why that is not in here.

(Cost study covering the years 1921 to 1924 was received in evidence and marked "Carriers' Exhibit 5, Witness Marsh.")

I have charge of all the books and bookkeeping of the respondents. The entries made in our books covering the transactions in respect to the miners' train are in strict conformity with the accounting regulations of the Commission. That is my earnest attempt to keep all the other entries in our books in conformity with those regulations. I think they are. (R. O. Tes. 203-205.)

[fol. 257] Cross-examination:

In this exhibit that I have filed, I have taken no account of any compensation for the use of the roadway. I really am not prepared to answer whether I also have taken any account of the time except the running time of the train after it is made up. I was given this as the time that is occupied in putting this train together and running it out with the miners and bringing it back. My belief is that

the 86 minutes covers the whole time the train is in service. There is no making up to do except to put the engine on the coaches and take them out. I do not know whether 86 minutes covers any time except the actual time that train is in movement as a train. I made this up. Mr. Wright could tell you what this 86 minutes includes. I received that figure of 86 minutes from him. We had the study made in East St. Louis. The wages of the crew are figures I took from our payrolls myself. The coal, oils and greases are figures I received from our purchasing agent, who has made a study of those things. The coal consumed is that consumed in the 86 minutes. The engineers who are going to take the train out are engaged in the regular working day; they are freight trains and this is merely incidental; they do not have any other duties. When they start out in the morning, the engineer and fireman do not report for duty 30 minutes before one of these trains starts, as I understand it. I do not understand that they do. I think the engine that takes this train from East St. Louis to the mines in he morning puts up over night at the roundhouse at East St. Louis. I do not know if the getting of that engine ready for that train before it starts is a part of the duty of the engineer; I do not know whether the engineer does it or the hostler does it. (R. O. Tes. 205-208.)

I prefer that you ask an operating man as to whether the engineer and fireman have to be there at least 30 minutes before to get up steam and start the fire. I do not know the duty of an engineer. The incidental work that [fol. 258] you speak of is something that belongs with the whole day's work. A day's work does not necessarily begin at the mines. Getting the engine ready is incident to the whole day's work and should not be allocated particularly to this passenger train. If any part of it is so allocated, it would be a very small per cent. I do not know that after the train comes back to East St. Louis at night, the train crew then takes the engine to the roundhouse and does work upon it, either banking or putting out the fire, or whether the engine house crews do that. There is no charge here for the roundhouse force in taking charge of this engine over night. It is not a charge that is necessarily due solely to this train. This train is occupied at all times in other work during the day. It may be hauling coal or taking

empties back. When it comes back at night it is not necessarily ending the service for this work train any more than ending the day's work in general.

"Q. It is actual ending its work for this work train, is it not?

"A. I would not say that, no, sir."

I do not know what it does after it leaves this work train. It may perform other services—switching. That is an operating detail I am not familiar with. Either the engine is brought to East St. Louis at night and it has to be there again in the morning for this train or another one is; there is always an engine there. No charge is made here for the roundhouse men. We do not have any telegraphic signaling on our road at all. Absolutely none. In order to get my figure for investment, I put the value of the engine and the cars in at my book values; that is, I took it from the original cost. As to how I got at the tax paid on one engine and seven passenger cars: the tax represents the proportion of the total tax that the value of the equipment stands to the total assets of the company that were taxed. That is the total tax in Illinois, franchise tax in Illinois and capital stock tax. No tax in Mis- [fol. 259] souri; we do not have any taxes in Missouri. (R. O. Tes. 208-210.)

Redirect examination:

In figuring the interest on the investment I do not recall whether I took the investment on our books rather than the amount shown in the valuation. I do not think there is a very great difference between them on equipment. (R. O. Tes. 210-211.)

Recross-examination:

These figures for interest on investment, depreciation, taxes paid, equipment, repairs, etc., include only the seven cars. They are figured on the year's tax based on the number of days worked. The same is true of our investment. We divide on this first sheet by 187; the year's tax is taken and divided by the number of days worked. Our depreciation figures are based on four per cent per annum on the original cost of our equipment.

I believe Illinois has a full crew law. We run a full crew at any rate. I am figuring the two switchmen as part of the crew.

As to how old these seven coaches are: You should speak reverently of old age. I do not know how old they are. They were in possession of the company when we bought it. All the inside has been torn out and nothing but rough wooden benches put in on both sides and down the middle; probably the crudest form of accommodation that could be furnished.

"Q. Mr. Marsh, there has been some reference here several times to Mr. Kirby's services in the division's case before the Commission. Did he ever render a bill?

"A. There have been bills of Mr. Kirby which covered general services for all kinds of cases that may come up, and it is my recollection some of those bills, he makes mention of this case as a part of the time put in."

[fol. 260] I would not state for the record what was the total amount paid Henry Childs unless I could look it up. I have not that with me.

(Memorandum handed to witness.)

I do not see anything here about Mr. Childs' compensation. It would appear from this memorandum that he received about $11,500, to be accurate, but I would not say unless I would go to my own records to vouch for that being correct, unless I could look it up myself. If that is not the case I will so advise you. The reason I am in doubt as to whether it was $11,500 is: It was my understanding it was $10,000, but that throws a little different aspect on it and I will look it up and let you know.

I could not tell you offhand how much of the bill which Mr. Commissioner Clark's firm rendered us was charged against the O'Fallon; I would prefer to verify it by my own records.

"Q. Is that not part of the instructions you had in charging up the bill?

"Mr. Brown: If Mr. Marsh can say that is a copy of the instructions, well and good; if not, I will object to the question.

"Mr. Doherty: Will you look and see?

"A. It purports to be and it is so signed by William J. Sweeney, Examiner."

I can not tell by reading it whether those were the instructions I had to make the charge. I have not the other one to compare it with. I have no recollection in detail as to a thing like this. I have got more detail than you can shake a stick at all the time to attend to year in and year out. This happened three or four years ago. I am perfectly willing to get it for you; do not misunderstand me.

"Q. Assuming that is a copy of the instructions to you, how much was there charged in all to the O'Fallon for Clarke & La Roe's services rendered to the O'Fallon.

"A. Let me read it and I will tell you. I could not make a definite statement from reading this thing. I would have [fol. 261] to get my own records together and see how it was charged. This does not show my books or how I made the charge."

I do not think that shows how we purported to have made the charge. (R. O. Tes. 211-214.)

"Examiner Kelley: What is it you want to know? The total payments for legal services in connection with the divisions case that has been referred to?

"Mr. Freer: The total of the particular last bill which they seek—this is off the record.

"Examiner Kelley: I want it on the record as an explanation of what you want from the witness.

"Mr. Freer: As I understood from these records which we have here and from Mr. Commissioner Clark, the bill called for other services in connection with two cases; one for the St. Louis & O'Fallon and also involving other services in the Manufacturers Railroad case also pending before the Commission, and that division was made by the accounting forces of the O'Fallon, charging the greater proportion of it to the O'Fallon and a lesser proportion to the Manufacturers. Now, we would like to know what those proportions were and the total amount charged against the O'Fallon for the services which were in connection with the bill rendered for the two cases, that being divided.

"Examiner Kelley: The witness, if he cannot give us the amount now, agrees to furnish it and he may do so within ten days.

"The Witness: Yes, I can do that."

"Mr. Doherty: We ask to have put into the record a memorandum signed by one of the Examiners of the Commission, the accounting examiner, copy of a memorandum dated December 17, 1923, of the president, made by Mr. Wright, and directing how the charges and vouchers should be made on the fees of Clark & La Roe.

"Mr. Clark: Now, Mr. Examiner, merely in the interests of proper procedure, we object to that being introduced [fol. 262] at this time as a part of the witness' testimony. If the Commission's examiner went through the records and made a copy of it or of anything there that they want to put in and the examiner identifies it as a correct copy of what he found there, we have no ground for objection."

"Mr. Doherty: Will you also produce a copy for the record of the letter directed to you as auditor, signed by Mr. William Cotter, president, dated December 19, 1923, in relation to the allotment of fees in the same two cases?

"Mr. Brown: Now, Mr. Examiner, I think in all fairness if that request be granted, we ought to be permitted to put in correspondence that is connected with that letter in order to make the matter clear.

"Examiner Kelley: That may be done." (R. O. Tes. 214-218.)

I have a memorandum to send in for the record copy of the letter of the president to me in relation to Mr. Childs' fee, dated December 13, 1923. I will furnish all those within ten days. (R. O. Tes. 218.)

I have no figures with relation to the special train miles operated of this miners' work train. The figures on special passenger miles may be in the annual report. Probably those figures are shown in our annual report, but I have not considered them in reference to this. With relation to the revenues per freight train mile or per loaded freight car mile, I have only such figures as appear in the annual report.

I was present at the meeting of April 2, 1923. Prior to that meeting I was not consulted in relation to the mat-

ters which are the subjects of the resolution. I don't remember if there was any discussion of that meeting. Subsequent to the meeting I received a copy of the minutes of the meeting for my journal entry file with instructions to make payments. That is all that I received. As far as I can remember all the directors were present at that meeting. That meeting was held at the freight house over in [fol. 263] East St. Louis. 20th and Bowman. It was the legal meeting place of the company.

"Q. Did you have any different understanding of the proposed payment to Mr. Cotter than that stated in this motion?

"A. I had no conference or any understanding on the matter at all myself. I was not taken into the discussion on that matter."

I seconded the motion of Mr. Busch. That motion and that resolution states all that I knew on this subject. I am also an employee of the St. Louis Refrigerator Car Company. (R. O. Tes. 218-220.)

I have no records in my personal possession that would give you for the record a statement of all the increases in rates since January 1st, 1917, on the O'Fallon Railroad. That is not in my jurisdiction.

(Examiner Kelley:) Mr. Wright is going to furnish those for the record.

(Witness excused.) (R. O. Tes. 221.)

"Mr. Clark: Now, Mr. Examiner, just in the interests of avoiding any misunderstanding or misconception, because I gather from some of the questions that have been asked, that there is a lack of complete familiarity with these questions of counsel fees, I want to say for the information of everybody that these two cases that are referred to in these questions were handled under the understanding between Mr. Cotter and us in this way: We were employed to handle the O'Fallon-East St. Louis & Suburban case, and an agreement was made as to the compensation. I think I am correct—I am sure I am correct—in saying that before that case was completed Mr. Cotter made an engagement with us to handle a case involving

the divisions of the Manufacturers Railway, and in consideration of the two cases we reached a somewhat modified understanding and agreed upon a sum that was to be paid us for our services in both cases." (R. O. Tes. 222.)

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[fol. 264] Mr. A. H. Shields was thereupon called as a witness on behalf of the Bureau and, having first been duly sworn, testified:

Direct examination:

My name is A. H. Shields; I am examiner in the Bureau of Accounts, Interstate Commerce Commission. I have held that position since March, 1919.

There has been prepared in the Bureau of Accounts, from information received from field accountants, a statement showing the salaries of the chairman of the Board and the president of the St. Louis & O'Fallon as compared with similar positions on the West Virginia Northern Railroad, the Kanawaha, Glen Jean & Eastern Railroad and the St. Louis, Troy & Eastern Railroad Company.

That was prepared under my direction. We have prepared a statement comparing the salaries paid the officers of the Manufacturers compared with the Chicago Short Line, East St. Louis Junction Railway, the Chicago Heights Terminal Transfer Railroad and the Chicago, West Pullman & Southern Railroad.

That was also prepared under my direction.

These particular carriers that I have used for comparative purposes were selected simply from classification of roads and mileage, that is, approximate mileage. (R. O. Tes. 223-224.)

I believe the exhibits are self-explanatory. We have included the chairman of the Board of the St. Louis & O'Fallon and the salary of the president and general manager of the St. Louis & O'Fallon, and compared those with the president of the West Virginia Northern and the general manager of that road, and the president and general manager, who is one officer, of the Kanawha, Glen Jean & Eastern Railroad, the president of the St. Louis, Troy &

Eastern, and the vice-president of that road. I under-
[fol. 265] stand the exhibit is simply to show the salaries paid these officials on these particular railroads.

"Mr. Doherty: Other railroads that are comparable in length of line and general conditions with the St. Louis & O'Fallon?

"Mr. Clark: Do you know they are comparable in general conditions?

"Mr. Doherty: That is the question. We are using these for what they are worth. We will endeavor, if we get an opportunity to get that far, to show what the witness knows about that and what the records show and what they are based upon, but we have not got far enough yet to show that."

These particular roads were selected because they were similarly classified by the Bureau of Statistics and the mileage was approximately the same. (R. O. Tes. 226-227.)

The classification given by the Bureau of Statistics to the St. Louis & O'Fallon is class 2 steam roads. The same classification extends to those other roads named on that sheet. The mileage is stated on the exhibit itself. I do not know the principal tonnage of the West Virginia Northern Railroad.

I understand all of these roads are principally coal hauling roads and have no passenger traffic. It is my understanding that the same thing is true of the O'Fallon. The officers whose salaries are shown for the five other companies as compared with the O'Fallon are those operating officials upon whom devolves the operation of the railroad, according to the records that we have.

In connection with the sheet showing the comparison with the Manufacturers Railway of St. Louis, the Manufacturers is classed by the Bureau of Statistics as a switching and terminal road. I could not say if there is a class 1 switch road. The Chicago Short Line, the East St. Louis Junction, the Chicago Heights Terminal Trans-
[fol. 266] fer and the Chicago, West Pullman and Southern are likewise switching and terminal roads. The mileage is stated on the sheet itself. The same remarks concerning the operating officials applies to this as it did to

the sheets showing the O'Fallon. (R. O. Tes. 227-228.)

As to how big a list of switching and terminal companies we selected the lines shown on this exhibit from: As I recall we went through and selected about 12. These were the nearest in mileage. I decided that we should use these particular lines. I based that decision upon the fact that simply the nearest mileage to the 12 lines was selected. I have never been over any of these lines nor seen them. I did not consider the fact that one of the lines that I showed here is long since defunct or ceased to exist. I did not know that the St. Louis, Troy & Eastern line is a defunct line.

"Q. Did you consider the fact in formal reports to the Commission the properties of the Kanawha, Glen Jean & Eastern Railroad are described in some detail and that description is entirely different from the Manufacturers or the O'Fallon?

"A. No; I am not familiar with the properties."

I did not consider any of the traffic conditions or any general conditions to which counsel refers on these lines.

"Mr. Brown: I renew the objection to the exhibits.

"Examiner Kelley: The exhibits will be received for what they are worth, subject to the objection of counsel."

(Said documents so offered were received in evidence, marked "Bureau's Exhibits 6 and 7, Witness Shields.") (R. O. Tes. 229-230.)

As to whether I made an examination of the O'Fallon's annual reports in connection with Account III, Special Service trains—I did not make an examination of their annual report but we had an examination made in the office of the O'Fallon by an examiner of our St. Louis office. That examination was made under my direction [fol. 267] over Mr. Wylie's signature, Director of Bureau of Accounts. I have here a copy of the statement made by the field examiner.

"Mr. Clark: Well, Mr. Examiner, we object to the copy of the report being admitted as written, for the reason that it contains a statement that is flatly contradictory of the evidence that has been had here, and that is inaccu-

rate. He says here in regard to the compensation for this miners' train: 'There is no tariff basis for this rate, nor is there any record of a written agreement between the carrier and the coal company establishing this charge.' It has been testified to here by witnesses heretofore and uncontradicted that there was a tariff and that the tariff was changed and then changed back again.

"Examiner Kelley: We will strike that statement from this report, if that is the only objection you have, Mr. Clark.

"Mr. Clark: That is the only objection we have to it, sir."

(Said document was received in evidence and marked "Bureau's Exhibit 8, Witness Shields.") (R. O. Tes. 231-232.)

Cross-examination:

I did not give any consideration to the amount of traffic handled and the amount of revenue in these cases.

(Witness excused.) (R. O. Tes. 232-233.)

"Mr. Doherty: We offer extract from the minutes of the annual directors' meeting of the St. Louis & O'Fallon Railway Company of Monday, April 2, 1923, the original being signed by Augustus A. Busch, Chairman, and signed A. E. Wright, Secretary."

(Said document so offered was received in evidence and marked "Bureau's Exhibit No. 9, Witness Shields.") (R. O. Tes. 233.)

(Hearing closed.)

Petitioner's Exhibit 3 Continued

[fol. 268] Condensed Statement of All Exhibits Received in Evidence in Hearings Before the Commission in Finance Dockets Nos. 3908 and 4026

Ex. 1. (P. Marsh)

Consolidated Return of the Saint Louis and O'Fallon Railway Company and the Manufacturers Railway Company for the 10 Months Period Ended, December 31, 1920

| | St. L. & O'F. Ry. Co. | Manufacturers Ry. Co. | Combined Returns |
|---|---|---|---|
| No. 1. Value of the railway property of the reporting carriers, held for and used in the service of transportation, (Exhibit B) | $2,295,539.38 | 3,305,620.14 | 5,601,159.52 |
| No. 2. 4.7103% of the value of the railway property, held for and used in the service of transportation as reported under No. 1 | 108,126.79 | ..... | 108,126.79 |
| 12.308% of the value of the railway property held for and used in the service of transportation, as reported under No. 1 | ..... | 406,855.73 | 406,855.73 |
| Total | ..... | ..... | 514,982.52 |
| No. 3. The amount of net railway operating income or deficit for the period, (Exhibit C) | 188,199.82 | 55,280.09 | 243,479.91 |
| No. 4. The amount of net railway operating income for the period (if any) in excess of the allowed per cent of the value of railway property held for and used in the service of transportation, (Excess of No. 3 over No. 2) | 80,073.03 | *351,575.64 | *271,502.61 |
| No. 5. One-half of the excess or deficit | 40,036.52 | | |

*Italics indicate deficit.

[fol. 269] Consolidated Return of the Saint Louis and O'Fallon Railway Company and the Manufacturers' Railway Company for the Year Ended, December 31, 1921

| | St. L. & O'F. Ry. Co. | Manufacturers Ry. Co. | Combined Returns |
|---|---|---|---|
| No. 1. Value of the railway property of the reporting carriers, held for and used in the service of transportation. (Exhibit B) | $1,738,632.19 | 2,863,625.85 | 4,602,258.04 |
| No. 2. Six per cent of the value of the railway property held for and used in the service of transportation, as reported under No. 1 | 104,317.93 | 171,817.55 | 276,135.48 |
| No. 3. The amount of net railway operating income or deficit for the year (Exhibit C) | 128,962.81 | 55,846.77 | 184,809.58 |
| No. 4. The amount of net railway operating income for the year (if any) in excess of six per cent of the value of railway property held for and used in the service of transportation. (Excess of No. 3 over No. 2) | 24,644.88 | *115,970.78 | *91325.90 |
| No. 5. One half of the excess or deficit | | | |

Consolidated Return of the Saint Louis and O'Fallon Railway Company and the Manufacturers Railway Company for the Year Ended, December 31, 1922

| | St. L. & O'F. Ry. Co. | Manufacturers Ry. Co. | Combined Returns |
|---|---|---|---|
| No. 1. Value of the railway property of the reporting carriers, held for and used in the service of transportation. (Exhibit B) | 1,641,785.42 | 2,802,333.09 | 4,444,118.51 |
| No. 2. Six per cent of the value of the railway property held for and used in the service of transportation, as reported under No. 1 | 98,507.13 | 168,139.99 | 266,647.12 |
| [fol. 270] No. 3. The amount of net railway operating income or deficit for the year (Exhibit C) | 124,577.45 | 92,589.19 | 217,166.64 |
| No. 4. The amount of net railway operating income for the year (if any) in excess of six per cent of the value of railway property held for and used in the service of transportation. (Excess of No. 3 over No. 2) | 26,070.32 | *75,550.80 | *49,480.48 |
| No. 5. One half of the excess or deficit. | | | |

*Italics indicate deficit.

Consolidated Return of the Saint Louis and O'Fallon Railway Company and the Manufacturers' Railway Company for the Year Ended, December 31, 1923

| | St. L. & O'F. Ry. Co. | Manufacturers Ry. Co. | Combined Returns |
|---|---|---|---|
| No. 1. Value of the railway property of the reporting carriers held for and used in the service of transportation, (Exhibit B) | $1,818,952.31 | 2,934,315.69 | 4,753,268.00 |
| No. 2. Six per cent of the value of the railway property held for and used in the service of transportation, as reported under No. 1 | 109,137.14 | 176,058.94 | 285,196.08 |
| No. 3. The amount of net railway operating income or deficit for the year (Exhibit C) | 149,115.67 | 60,717.21 | 209,832.88 |
| No. 4. The amount of net railway operating income or deficit for the year (if any) in excess of six per cent of the value of railway property held for and used in the service of transportation (Excess of No. 3 over No. 2) | 39,978.53 | *115,341.73 | *75,363.20 |
| No. 5. One-half of the excess or deficit. | | | |

*Italics indicate deficit.

[fol. 271]

Ex. 2 (P. Marsh)

Separate Return of the Manufacturer's Railway Company for the 10 Months' Period Ended December 31, 1920, and for the Calendar Years 1921, 1922 and 1923

Page 1.—Summary of return for 10 months period ended December 31, 1920, being identical with column 2 of sheet 1 of Exhibit 1, being Consolidated Return of the Manufacturers' and the O'Fallon for the same period.

Pages 2 to 4.—Statement showing proportion of the six per cent to be allowed Manufacturers' for period March 1, 1920, to December 31, 1920.

Pages 5, 6 and 7 are as follows:

## The Manufacturers Railway Company

### Value of the Railway Property Held for and Used in the Service of Transportation by the Respondent for the Year Ended December 31, 1920

| Description of road<br>Name<br>(a) | Miles of road<br>(b) | Miles of yard track & siding<br>(d) | Value of Ry. property as computed by respondent<br>(e) | Investment of Road & equipment at close of year<br>Acct. No. 701<br>(f) | <br>Total<br>(h) |
|---|---|---|---|---|---|
| Manufacturers Ry. Co. (a) | 5.22 | 13.45 | | $1,550,959.82 | $1,550,959.82 |
| Leased tracks, (c) | | 5.15 | | | |
| Present value of road & equipment, excluding land, (exhibit B 1) | | | $2,103,953.39 | | |
| Land—(Exhibit B. 3) | | | 502,072.94 | | |
| Leased lands, (Exhibit B. 4) | | | 438,564.40 | | |
| Electrical installation, (Exhibit B. 5) | | | 182,504.00 | | |
| Cash | | | 39,447.86 | | |
| Material and supplies | | | 39,077.55 | | |
| | 5.22 | 18.60 | $3,305,620.14 | $1,550,959.82 | $1,550,959.82 |

(Here follows statement of investment as of December 31, 1920, marked side folio page 272)

Manufacturers

Investment as of December 31, 1920, Based Upon I. C. C. Valuation of

| R. & E. Account No. | Class | I. C. C. Report Inv. June 30, 1917 Prices June 30, 1914 New | Index 1920 over |
|---|---|---|---|
| | I. Road: | | |
| 1 | Engineering | $36,838.00 | |
| 3 | Grading | 144,671.00 | |
| 6 | Bridges, trestles and culverts | 124,505.00 | |
| 8 | Ties | 40,919.00 | |
| 9 | Rails | 74,567.00 | |
| 10 | Other tract material | 40,854.00 | |
| 11 | Ballast | 25,829.00 | |
| 12 | Track laying and surfacing | 38,303.00 | |
| 15 | Crossings and signs | 8,676.00 | |
| 16 | Station and office buildings | 43,292.00 | |
| 17 | Roadway buildings | 665.00 | |
| 18 | Water station | 1,611.00 | |
| 19 | Fuel station | 968.00 | |
| 20 | Shops and enginehouses | 124,581.00 | |
| 30 | Power substation buildings | 1,714.00 | |
| 32 | Power distribution systems | | |
| 36 | Paving | 21,951.00 | |
| 37 | Roadway machines | 61.00 | |
| 38 | Roadway small tools | 340.00 | |
| 39 | Assessments for public improvements | | |
| 44 | Shop machinery | 43,054.00 | |
| | Total, 1 to 47, inclusive | 773,599.00 | |
| | II. Equipment: | | |
| 51 | Steam locomotives | 65,143.00 | |
| 52 | Other locomotives | | |
| 53 | Freight-train cars | 63,817.00 | |
| 57 | Work equipment | 751.00 | |
| | Total, 51 to 58, inclusive | 129,711.00 | |
| | III. General Expenditures: | | |
| 71 | Organization expenses | | |
| 72 | General officers and clerks | | |
| 73 | Law | 11,604.00 | |
| 74 | Stationery and Printing | | |
| 75 | Taxes | | |
| 77 | Other expenditures-General | | |
| 78 | Interest during construction | 49,058.00 | |
| | Total 71 to 77, incl. | 60,662.00 | |
| | Grand total, 1 to 77, inclusive | 963,972.00 | |

Manufacturers Railway Company

ber 31, 1920, Based Upon I. C. C. Valuation of June 30, 1917, at 1914 Prices Augmented by Added Percentages to Basis of 1920 Prices

| | I. C. C. Report Inv. June 30, 1917 Prices June 30, 1914 New | Index 1920 over 1914 | I. C. C. Valuation June 30, 1917 Increased to 1920 Basis | Additions as on B. V. Form 588 June 30, 1917 to Dec. 31, 1920 | Retirements as on B. V. Form 588 June 30, 1917 to Dec. 31, 1920 | Reitrements June 30, 1917 to Dec. 31, 1920 Amended to 1920 Prices | Investment as of Dec. 31, 1920 |
|---|---|---|---|---|---|---|---|
| | $36,838 00 | | $72,559 00 | $69 59 | ..... | ..... | $72,628 59 |
| | 144,671 00 | 100 00 | 144,671 00 | 11,514 73 | 8 24 | 8 24 | 155,177 49 |
| | 124,505 00 | 221 48 | 275,754 00 | 273 74 | ..... | ..... | 276,027 74 |
| | 40,919 00 | 221 48 | 90,627 00 | 4,561 15 | 791 22 | 1,752 39 | 93,435 76 |
| | 74,567 00 | 221 48 | 165,151 00 | 7,197 48 | 1,047 38 | 2,319 74 | 170,028 74 |
| | 40,854 00 | 221 48 | 90,483 00 | 8,431 30 | 1,112 53 | 2,464 03 | 96,450 27 |
| | 25,829 00 | 100 00 | 25,829 00 | 5,105 80 | 85 25 | 85 25 | 30,849 55 |
| | 38,303 00 | 290 75 | 111,366 00 | 9,681 79 | 390 31 | 1,134 83 | 119,912 95 |
| | 8,676 00 | 221 48 | 19,216 00 | 145 21 | ..... | ..... | 19,361 21 |
| | 43,292 00 | 221 48 | 95,883 00 | 14,414 37 | 55 00 | 121 81 | 110,175 56 |
| | 665 00 | 221 48 | 1,916 00 | 180 32 | ..... | ..... | 2,096 32 |
| | 1,611 00 | 221 48 | 3,568 00 | ..... | ..... | ..... | 3,568 00 |
| | 968 00 | 221 48 | 2 144 00 | ..... | ..... | ..... | 2,144 00 |
| | 124,581 00 | 221 48 | 275 922 00 | 1 681 99 | ..... | ..... | 277,603 99 |
| | 1,714 00 | 221 48 | 3,796 00 | ..... | ..... | ..... | 3,796 00 |
| | | | | 200 09 | ..... | ..... | 200 09 |
| | 21,951 00 | 221 48 | 48,617 00 | 9,304 15 | ..... | ..... | 57,921 16 |
| | 61 00 | 221 48 | 135 00 | ..... | ..... | ..... | 135 00 |
| | 340 00 | 221 48 | 753 00 | ..... | ..... | ..... | 753 00 |
| | | | | 129 72 | ..... | ..... | 129 72 |
| | 43,034 00 | 221 48 | 95,358 00 | 461 45 | ..... | ..... | 95,819 45 |
| | 773,599 00 | ..... | 1,523,746 00 | 73,352 89 | 3,489 93 | 7,886 29 | 1,589,212 60 |
| | 65,143 00 | 239 94 | 156,304 00 | 1,039 55 | 81 00 | 194 35 | 157,149 20 |
| | | | | 60,887 40 | ..... | ..... | 60,887 40 |
| | 63,817 00 | 265 78 | 169,613 00 | 6,698 50 | 2,878 00 | 2,878 00 | 173,433 50 |
| | 751 00 | 298 00 | 2,208 00 | 458 69 | ..... | ..... | 2,696 69 |
| | 129,711 00 | ..... | 328,155 00 | 69,084 14 | 2,959 00 | 3,072 35 | 394,166 79 |
| | 11,604 00 | ..... | 22,856 00 | ..... | ..... | ..... | 22,856 00 |
| | 49,058 00 | ..... | 97,718 00 | ..... | ..... | ..... | 97,718 00 |
| | 60,662 00 | ..... | 120,574 00 | ..... | ..... | ..... | 120,574 00 |
| | 963,972 00 | ..... | 1,972,475 00 | 142,437 03 | 6,448 93 | 10,958 64 | 2,103,953 39 |

[fol. 273] Manufacturers Railway Company

Explanation of Index Numbers Used for 1920 Over 1914

R. & E. Account Nos. 1 and 11

Index number of 100.00 used because it was considered that for these items supporting data was insufficient to cause any increase for this period, also improved methods by use of equipment has kept cost at about same level.

R. & E. Account Nos. 6, 8, 9, 10, 15, 16, 17, 18, 19, 20, 30, 36, 37, 38 and 44

Index number of 221.48 was based upon Bulletin No. 335—wholesale prices 1890 to 1922, issued by Bureau of Labor Statistics of United States Department of Labor.

Page 9, Index numbers for all commodities shows

| | |
|---|---|
| 1913 | 100 |
| 1914 | 98 |
| 1920 | 226 |

therefore 1920 over 1914 would be 98% of 226, or 321.48.

R. & E. Account No. 12

Index number of 290.75 was based upon Research Report No. 70—Wages, Hours and Employment of Railroad Workers, issued by National Industrial Conference Board.

Page 23, Index number or actual average hourly earnings shows

| | | |
|---|---|---|
| 1914-1915 | 100 | |
| 1st quarter 1920 | 251 | |
| 2nd " 1920 | 294 | |
| 3rd " 1920 | 311 | Average 290.75 |
| 4th " 1920 | 307 | |

R. & E. Account Nos. 51, 53 and 57

Index numbers were based upon Index of Railway Equipment prices issued by Committee of President's Conference Committee on Federal Valuation.

Account 51—Locomotives:

| | |
|---|---|
| 1914 | 93 |
| 1920 | 258 |

therefore 1920 and 1914 would be 93% of 258, or 239.94.

Account 53—All steel freight cars:

| | |
|---|---|
| 1914 | 97 |
| 1920 | 274 |

therefore 1920 over 1914 would be 97% of 274, or 265.78.

Account 57—All wood equipment:

| | |
|---|---|
| 1914 | 100 |
| 1920 | 298 |

therefore 1920 over 1914 would be 298.

[fol. 274] Page 8, Statement of areas and book values of land used for transportation purposes as of December 31, 1920. Page 9, Statement of areas and book value of leased lands. Page 10, Statement of property located on carrier's owned and leased property not inventoried and reported under Valuation Order No. 3. Page 11, Net railway operating income or deficit by months for the 10 months ended December 31, 1920. Page 12, Statement of operating expenses by months March 1, 1920 to December 31, 1920. Page 13, Oath of auditor verifying statement. Pages 14 to 23, Similar statements of similar computations, likewise verified by the auditor for the year ended December 31, 1921. Pages 24 to 33, Similar statements likewise verified by the auditor for the year ended December 31, 1922. Pages 34 to 43, Similar statements likewise verified by the auditor for the year ended December 31, 1923.

[fol. 275] Exhibit A

The Saint Louis and O'Fallon Railway Company for 10-Month Period Ended December 31, 1920

Summary of Return

| | As reported by Respondent | For use by the Commission |
|---|---|---|
| No. 1. Value of the railway property of the reporting carrier, held for and used in the service of transportation, (Exhibit B) | $2,295,539.38 | ..... |
| No. 2. 4.7103 per cent of the value of the railway property held for and used in the service of transportation as reported under No. 1 | 108,126.79 | ..... |
| No. 3. The amount of Net railway operating income or deficit for the ten month period, (Exhibit C) | 188,199.82 | ..... |
| No. 4. The amount of Net railway operating income for the period (if any) in excess of 4.7103 per cent of the value of railway property held for and used in the service of transportation | 80,073.03 | ..... |
| No. 5. One half of the excess, if any | 40,036.52 | ..... |
| No. 6. In case of excess, amount and nature of remittance | ..... | ..... |

O Exhibit A-1, Sheet 1

Saint Louis and O'Fallon Railway Company

Statement Showing the Proportion of Six per Cent to be Allowed for Period March 1, 1920, to December 31, 1920

The first order of the Interstate Commerce Commission relative to Section 15-A, issued January 16, 1922, carries the following paragraphs regarding the percentages to be used for portions of the year 1920:

"That the years or parts of years for which net railway operating income and the return represented by such income upon the aggregate value of railway property held for and used in the service of transportation are to be computed shall be the years or parts of years ending on December 31, respectively. In the case of any carrier which accepted the provisions of section 209 of the Transportation Act, 1920, the first period for which such computations are to be made shall be September 1, 1920, to December 1, 1920, both inclusive. In the case of carriers which did not accept the provisions of said section 209 of the Transportation Act, 1920, the first period for which such computations

are to be made shall be March 1, 1920, to December 31, 1920, both inclusive.

[fol. 276] That the excess income for the portions of a year ended December 31, 1920, shall be preliminarily fixed as the income in excess of such proportions of 6 per cent on the value of the railway property held for and used in the service of transportation as the net railway operating income for the months of September to December, both inclusive, or for the months of March to December, both inclusive, as the case may be, in the three years ended June 30, 1917, bears to the total net railway operating income for the same three years."

Statement of Net Operating Income for Test Period of Three Years Ended June 30, 1917, Segregating Income Earned in All Months from March 1 to December 31, Inclusive, and All Months of January and February

| Months from —— —, —— inclusive to —— —, —— | Operating Revenue | Operating expense | Taxes accrued | Equipment and joint Facility rents | |
|---|---|---|---|---|---|
| | | | | Dr. | Cr. |
| July, 1914, Dec. 1914 | $89,189.91 | $47,079.92 | $5,236.74 | $2,418.11 | ..... |
| Mar., 1915, Dec. 1915 | 179,528.41 | 80,486.53 | 10,000.00 | 6,668.02 | ..... |
| Mar., 1916 Dec., 1916 | 210,836.02 | 105,171.76 | 10,000.00 | 7,047.74 | ..... |
| Mar., 1917, June, 1917 | 130,333.05 | 70,329.61 | 4,000.00 | 104.82 | ..... |
| All months, March to Dec., inclusive | 609,887.39 | 303,067.82 | 29,236.74 | 16,238.69 | ..... |
| Jan., 1915, Feb., 1915 | $35,086.90 | $16,367.73 | $3,111.10 | $683.72 | ..... |
| Jan., 1916, Feb., 1916 | 52,126.34 | 21,768.35 | 2,000.00 | 2,026.82 | ..... |
| Jan., 1917, Feb., 1917 | 67,628.48 | 33,381.82 | 2,000.00 | 1,941.25 | ..... |
| All Months January and February | 154,841.72 | 71,517.90 | 7,111.10 | 4,651.79 | ..... |
| Total—Three Years | 764,729.11 | 374,585.72 | 36,347.84 | 20,890.48 | ..... |

## O Exhibit A-1, Sheet 2

### Saint Louis and O'Fallon Railway Company

| | Three years of test period | Months March to Dec., incl. | Months January and February |
|---|---|---|---|
| Operating revenues | 764,729 11 | 609,887 39 | 154,841 72 |
| Operating expense | 374,585 72 | 303,067 82 | 71,517 90 |
| Net revenue from railway operations | 390,143 39 | 306,819 57 | 83,323 82 |
| Taxes | 36,347 84 | 29,236 74 | 7,111 10 |
| Railway operating income | 353,795 55 | 277,582 83 | 76,212 72 |
| Joint facility and equipment rents, Dr | 20,890 48 | 16,238 69 | 4,651 79 |
| Net operating income | 332,905 07 | 261,344 14 | 71,560 93 |

Percentage showing the relations which the net Railway Operating Income of the Months March to December, inclusive, and the month- of January and February, of the test period ended June 30, 1917, bear to the total net Railway Operating Income of the same three years.

| Three years | 10 months periods | 2 months periods |
|---|---|---|
| 100 00% | 78 505% | 21 495% |

The compensation for the ten months' period March 1, 1920 to December 31, 1920, is to be that proportion of six per cent which the income of the months March to December of the test period bears to the income for the period or 78.505%.

Hence the compensation for the ten months of 1920 will be 78.505% of six per cent, or 4.7103%.

[fol. 278]

Suit

Investment as of December 31, 1920, Based Upon I. C. C. Valuat

| R. & E. Account No. | Class | I. C. C. Repo Inv. June 30, Prices June 1914, New |
|---|---|---|
| | I. Road: | |
| 1 | Engineering | $15,803. |
| 3 | Grading | 118,999. |
| 6 | Bridges, trestles and culverts | 24,492. |
| 8 | Ties | 43,331. |
| 9 | Rails | 67,531. |
| 10 | Other track material | 16,580. |
| 11 | Ballast | 19,468. |
| 12 | Track laying and surfacing | 35,490. |
| 13 | Right of way fences | 45. |
| 15 | Crossings and signs | 1,155. |
| 16 | Station and office buildings | 7,328. |
| 17 | Roadway buildings | 850. |
| 18 | Water station | 1,927. |
| 20 | Shops and enginehouses | 37,493. |
| 26 | Telephone and telegraph lines | 3,248. |
| 32 | Power distribution systems | 19. |
| 33 | Power line poles and fixtures | 6. |
| 37 | Roadway machines | 368. |
| 38 | Roadway small tools | 169. |
| 44 | Shop Machinery | 15,653. |
| | Total, 1 to 47 inclusive | 410,875. |
| | II. Equipment: | |
| 51 | Steam locomotives | 56,329. |
| 53 | Freight train cars | 422,389. |
| 54 | Passenger train cars | 5,329. |
| 57 | Work equipment | 2,133. |
| 58 | Miscellaneous equipment | 694. |
| | Total, 51 to 58 inclusive | 486,841. |
| | III. General expenditures: | |
| 71 | Organization expenses | |
| 72 | General officers and clerks | |
| 73 | Law | 6,1 |
| 74 | Stationery and printing | |
| 75 | Taxes | |
| 77 | Other expenditures—General | |
| 76 | Interest during construction | 23,9 |
| | Total, 71 to 77, inclusive | 30,1 |
| | Grand Total, 1 to 77, inclusive | 927,8 |

O Exhibit B-1

Saint Louis and O'Fallon Railway Company

, 1920, Based Upon I. C. C. Valuation of June 30, 1919, at 1914 Prices Augmented by Added Percentages to Basis of 1920 Prices

| | I. C. C. Report Inv. June 30, 1919 Prices June 30, 1914, New | Index No. 1920 over 1914 | I. C. C. Valuation June 30, 1919 Increased to 1920 Basis | Additions as on B. V. Form 588 June 30, 1919 to Dec. 31, 1920 | Retirements as on B. V. Form 588 June 30, 1919 to Dec. 31, 1920 | Retirements June 30, 1919 to Dec. 31, 1920 Amended to 1920 Prices | Investment as of Dec. 31, 1920 |
|---|---|---|---|---|---|---|---|
| ..... | $15,803 00 | ..... | $29,256 00 | ..... | ..... | ..... | $29,256 00 |
| ..... | 118,990 00 | 100 00 | 118,990 00 | 378 62 | ..... | ..... | 119,368 62 |
| ..... | 24,492 00 | 221 48 | 54,245 00 | 3,959 08 | 477 00 | 1,056 00 | 57,148 08 |
| ..... | 43,331 00 | 221 48 | 95,969 00 | 1,145 80 | ..... | ..... | 97,114 80 |
| ..... | 67,531 00 | 221 48 | 149,568 00 | 826 84 | 139 96 | 310 00 | 150,084 84 |
| ..... | 16,580 00 | 221 48 | 36,221 00 | 878 35 | 193 90 | 429 00 | 37,170 35 |
| ..... | 19,468 00 | 100 00 | 19,468 00 | ..... | ..... | ..... | 19,468 00 |
| ..... | 35,490 00 | 290 75 | 103,187 00 | 1,197 28 | 106 51 | 310 00 | 104,074 28 |
| ..... | 43 00 | 221 48 | 95 00 | ..... | ..... | ..... | 95 00 |
| ..... | 1,155 00 | 221 48 | 2,558 00 | ..... | ..... | ..... | 2,558 00 |
| ..... | 7,328 00 | 221 48 | 16,230 00 | 362 30 | 35 00 | 78 00 | 16,514 30 |
| ..... | 850 00 | 221 48 | 1,883 00 | 269 35 | ..... | ..... | 2,152 35 |
| ..... | 1,927 00 | 221 48 | 4,268 00 | ..... | ..... | ..... | 4,268 00 |
| ..... | 37,492 00 | 221 48 | 83,037 00 | 3,539 38 | 51 56 | 114 00 | 86,462 38 |
| ..... | 3,248 00 | 221 48 | 7,194 00 | ..... | ..... | ..... | 7,194 00 |
| ..... | 19 00 | 221 48 | 42 00 | ..... | ..... | ..... | 42 00 |
| ..... | 9 00 | 221 48 | 20 00 | ..... | ..... | ..... | 20 00 |
| ..... | 366 00 | 221 48 | 811 00 | 56 22 | ..... | ..... | 867 22 |
| ..... | 100 00 | 221 48 | 221 00 | ..... | ..... | ..... | 221 00 |
| ..... | 15,653 00 | 221 48 | 36,883 00 | 981 82 | ..... | ..... | 37,864 82 |
| ..... | 410,875 00 | ..... | 760,646 00 | 13,595 04 | 1,003 93 | 2,297 00 | 771,944 04 |
| ..... | 56,329 00 | 239 94 | 135,156 00 | 552 38 | 57 00 | 137 00 | 135,571 38 |
| ..... | 422,390 00 | 265 78 | 1,122,628 00 | ..... | ..... | ..... | 1,122,628 00 |
| ..... | 5,326 00 | 226 38 | 12,057 00 | ..... | ..... | ..... | 12,057 00 |
| ..... | 2,132 00 | 298 00 | 6,353 00 | 1,776 72 | ..... | ..... | 8,129 72 |
| ..... | 684 00 | 221 48 | 1,515 00 | 920 58 | 684 00 | 1,515 00 | 920 58 |
| ..... | 486,861 00 | ..... | 1,277,709 00 | 3,249 68 | 741 00 | 1,652 00 | 1,279,306 68 |
| ..... | 6,163 00 | ..... | 11,410 00 | ..... | ..... | ..... | 11,410 00 |
| ..... | 23,985 00 | ..... | 50,048 00 | ..... | ..... | ..... | 50,048 00 |
| ..... | 30,148 00 | ..... | 61,458 00 | ..... | ..... | ..... | 61,458 00 |
| ..... | 927,884 00 | ..... | 2,099,813 00 | 16,844 72 | 1,744 93 | 3,949 00 | 2,112,708 72 |

[fol 277]

O Exhibit B

The Saint Louis and O'Fallon Railway Company

Value of the railway property held for and used in the service of transportation by the respondent for the year ended December 31, 1920

| Description of road | | | Value of Ry property as computed by respondent | Investment in Road & Equipment at close of year | |
|---|---|---|---|---|---|
| Name | Miles of road | Miles of yard track & siding | | Acct. No. 701 | Total |
| (a) | (b) | (d) | (e) | (f) | (h) |
| St. Louis & O'Fallon Ry. Co. (a) | 8.94 | 11.14 | | $1,020,987.42 | $1,020,987.42 |
| Present value of road & equipment excluding land, (Exhibit B. 1.) | | | 2,112,708.72 | | |
| Land at value shown in inventory made by Bureau of Valuation of the Interstate Commerce Commission, June 30, 1917 | | | 50,556.25 | | |
| Cash | | | 47,362.14 | | |
| Materials and supplies | | | 84,912.27 | | |
| Totals | 8.94 | 11.14 | $2,295,539.38 | $1,020,987.42 | $1,020,987.42 |

(Here follows statement of investment as of December 31, 1920, marked side folio page 278)

[fol. 279] O Exhibit B-2

Saint Louis and O'Fallon Railway Company

Explanation of Index Numbers Used for 1920 Over 1914

R. & E. Account Nos. 3 and 11

Index number of 100.00 used because it was considered that for these items, supporting data was insufficient to cause any increase for this period, also improved methods by use of equipment has kept cost about same level.

R. & E. Account Nos. 6, 8, 9, 10, 13, 15, 16, 17, 18, 20, 26, 32, 33, 37, 38, 44 and 58

Index number of 221.48 was based upon Bulletin No. 335, Wholesale Prices 1890 to 1922, issued by Bureau of Labor Statistics of United States Department of Labor.

Page 9, Index numbers for all commodities shows:

| | |
|---|---|
| 1913 | 100 |
| 1914 | 98 |
| 1920 | 226 |

therefore, 1920 over 1914 would be 98% of 226, or 221.48.

R. & E. Account No. 12

Index number of 290.75 was based upon Research Report No. 70—Wages, Hours and Employment of Railroad Workers, issued by National Industrial Conference Board.

Page 23, Index number for actual average hourly earnings shows

| | | | |
|---|---|---|---|
| 1914-1915 | 100 | | |
| 1st quarter, 1920 | 251 | | |
| 2nd " 1920 | 294 | Average | 290 75 |
| 3rd " 1920 | 311 | | |
| 4th " 1920 | 307 | | |

[fol. 280]

Saint Lou

Net Railway Operating Income (or Deficit) as Stated in the Accounting Records of the

Name of Carrier:

| | Account (a) Credits | March (d) | April (e) | |
|---|---|---|---|---|
| | Railway Operating Revenue: | | | |
| 101 | Freight | 71,339.80 | 11,160.14 | 3 |
| 110 | Switching | 6.00 | ..... | |
| 111 | Special service train | 300.00 | 300.00 | |
| 137 | Demurrage | ..... | ..... | |
| 143 | Miscellaneous | ..... | ..... | |
| | Total operating revenues | 71,645.80 | 11,460.14 | 3 |
| | Equipment Rents: | | | |
| 503 | Freight cars | 1,255.66 | 253.32 | |
| 504 | Locomotives | ..... | ..... | |
| | Total equipment rents | 1,255.66 | 253.32 | |
| 506 | Joint facility rent income | 90.00 | 90.00 | |
| | Total credits | 72,991.46 | 11,803.46 | 3 |
| | Debits: | | | |
| | Railway operating expenses | 26,906.91 | 17,176.63 | 2 |
| 532 | Railway tax accruals | 2,500.00 | 3,000.00 | |
| 533 | Uncollectible railway revenues | ..... | ..... | |
| | Equipment Rents: | | | |
| 536 | Freight cars | ..... | ..... | |
| 537 | Locomotives | ..... | ..... | |
| | Equipment rents | ..... | ..... | |
| | Total debits | 28,406.91 | 20,176.63 | 3 |
| | Net railway operating income | 43,584.55 | 8,373.17 | |

O Exhibit C

Saint Louis and O'Fallon Railway Company

d in the Accounting Records of the Respondent for the Ten Months Ended December 31, 1920, in Accordance with the Rules Prescribed in the Uniform System of Accounts

Name of Carrier: St. Louis & O'Fallon Railway Company

| March (d) | April (e) | May (f) | June (g) | July (h) | August (i) | September (j) | October (k) | November (l) | December (m) | Ten months 1920 (n) |
|---|---|---|---|---|---|---|---|---|---|---|
| 71,339 80 | 11,160 14 | 38,057 89 | 49,642 36 | 37,888 25 | 59,198 75 | 59,057 46 | 76,035 84 | 80,522 33 | 86,861 95 | 569,764 77 |
| 6 00 | | 1 00 | 4 00 | 11 00 | 11 00 | 9 00 | 24 00 | 33 00 | 15 00 | 114 00 |
| 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 3,000 00 |
| | | | | | | | | | | |
| | | | | | | 4 00 | | | | 4 00 |
| 71,645 80 | 11,460 14 | 38,358 89 | 49,946 36 | 38,199 25 | 59,509 75 | 59,370 46 | 76,359 84 | 80,855 33 | 87,176 95 | 572,882 77 |
| 1,255 66 | 253 32 | | 2,701 51 | 1,478 91 | | | 270 71 | 3,886 19 | | 9,846 30 |
| | | 920 88 | 750 00 | | 1,550 00 | 812 50 | 800 00 | 575 00 | | 5,408 39 |
| 1,255 66 | 253 32 | 920 88 | 3,451 51 | 1,478 91 | 1,550 00 | 812 50 | 1,070 71 | 4,461 19 | | 15,254 68 |
| 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 900 00 |
| 72,991 46 | 11,803 46 | 39,369 77 | 53,487 87 | 39,768 16 | 61,149 75 | 60,272 96 | 77,520 55 | 85,406 52 | 87,266 95 | 589,037 45 |
| 26,906 91 | 17,176 63 | 23,889 81 | 31,448 84 | 25,777 55 | 41,986 93 | 26,943 05 | 42,822 36 | 42,137 55 | 74,233 51 | 353,323 14 |
| 2,500 00 | 3,000 00 | 3,000 00 | 3,000 00 | 3,000 00 | 3,000 00 | 2,000 00 | 2,000 00 | 2,000 00 | 10,000 00 | 33,500 00 |
| | | | | | | | | | | |
| | | 4,234 99 | | | 6,137 94 | 2,020 99 | | | 300 57 | 12,694 49 |
| | | | | | | | 420 00 | 900 00 | | 1,320 00 |
| | | 4,234 99 | | | 6,137 94 | 2,020 99 | 420 00 | 900 00 | 300 57 | 14,014 49 |
| 28,406 91 | 20,176 63 | 31,124 80 | 34,448 84 | 28,777 55 | 51,124 87 | 30,964 04 | 45,242 36 | 45,037 55 | 84,534 08 | 400,837 63 |
| 43,584 55 | 8,373 17 | 8,244 97 | 19,039 03 | 10,990 61 | 10,024 88 | 29,308 92 | 32,278 19 | 40,368 97 | 2,732 97 | 108,199 82 |

[fol. 281]

Saint L

Statement of Operating Expens

| | | March | April |
|---|---|---|---|
| | I. Maintenance of Way and Structures: | | |
| 1201 | Superintendence | 125 00 | 148 25 |
| 1202 | Maintenance roadway & track | 1,696 43 | 1,659 73 |
| 1203 | Maintaining track structures | 390 00 | 11 33 |
| 1204 | Maintaining ancillary structures | 101 56 | 401 13 |
| 1206 | Injuries to persons | 50 00 | 50 00 |
| 1207 | Other way and structure expenses | 21 21 | 22 42 |
| | Total accounts Nos. 1201 to 1207 | 2,384 20 | 2,292 86 |
| 1209 | Maintaining joint tracks, yards, and other facilities—Cr | 31 16 | 9 06 |
| | Total Maintenance of Way & Structures | 2,353 06 | 2,283 80 |
| | II. Maintenance of Equipment: | | |
| 1221 | Superintendence | 718 51 | 596 25 |
| 1222 | Repairs of machinery and other apparatus | 4 81 | |
| 1224 | Locomotive repairs | 680 16 | 509 77 |
| 1225 | Locomotive depreciation and retirements | 258 53 | 258 53 |
| 1226 | Car repairs | 9,602 61 | 4,411 08 |
| 1227 | Car depreciation and retirements | 1,443 43 | 1,443 43 |
| 1232 | Miscellaneous equipment repairs | | 32 70 |
| 1233 | Miscel. equipment depreciation and retirements | 13 63 | 13 63 |
| 1234 | Injuries to persons | 50 00 | 50 00 |
| 1235 | Other equipment expenses | 30 88 | 37 24 |
| | Total accounts Nos. 1221 to 1235 | 12,802 56 | 7,352 63 |
| | III. Traffic: | | |
| 1251 | Traffic expenses | 220 13 | 235 16 |
| | IV. Transportation—Rail Line: | | |
| 1261 | Superintendence and dispatching | 321 98 | 352 28 |
| 1262 | Station service | 863 71 | 836 86 |
| 1264 | Other yard employees | | |
| 1267 | Other yard expenses | | |
| 1270 | Train enginemen and motormen | 1,663 42 | 1,143 13 |
| 1271 | Fuel for train locomotives | 2,912 78 | 696 00 |
| 1273 | Other train locomotive supplies and expenses | 1,047 62 | 854 07 |
| 1274 | Trainmen | 2,254 36 | 431 47 |
| 1275 | Train supplies and expenses | 72 84 | 19 78 |
| 1276 | Injuries to persons | 75 00 | 75 00 |
| 1277 | Loss and Damage | | 41 |
| 1278 | Other casualty expenses | 136 60 | |
| 1279 | Other rail transportation expenses | 309 21 | 337 56 |
| | Total accounts Nos. 1261 to 1279 | 9,657 72 | 4,746 56 |
| | VII. General: | | |
| 1291 | Administration | 1,837 00 | 2,517 88 |
| 1292 | Insurance—General | | |
| 1294 | Other general expenses | 36 46 | 40 60 |
| | Total accounts Nos. 1291 to 1294 | 1,873 46 | 2,558 48 |
| | Grand Total—Railway Operating Expenses | 26,906 91 | 17,176 63 |

*Italics indicate deficit.

Exhibit C-1

Saint Louis & O'Fallon Railway Company

cement of Operating Expenses by Months, March 1, 1920 to December 31, 1920, Inclusive

| | March | April | May | June | July | August | September | October | November | Dcember | 10 months 1920 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 125 00 | 148 25 | 140 29 | 142 50 | 140 00 | 158 95 | 149 50 | 166 07 | 159 52 | 172 01 | 1,502 09 |
| | 1,696 43 | 1,659 73 | 2,866 21 | 1,841 18 | 1,382 64 | 2,093 17 | 2,927 65 | 4,882 64 | 2,645 30 | 4,242 19 | 25,937 14 |
| | 300 00 | 11 33 | 61 28 | 9 80 | 400 54 | 409 08 | 369 97 | 137 01 | 239 06 | 468 96 | 2,497 03 |
| | 101 56 | 401 13 | 579 99 | 604 00 | 152 14 | 200 78 | 15 83 | 258 23 | 104 17 | *74 68 | 2,343 15 |
| | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 500 00 |
| | 21 21 | 22 42 | 50 50 | 43 58 | 53 08 | 74 89 | 60 06 | 59 93 | 39 58 | 55 15 | 480 40 |
| | 2,384 20 | 2,292 86 | 3,448 27 | 2,691 06 | 2,178 40 | 2,986 87 | 3,573 01 | 5,553 88 | 3,237 63 | 4,419 63 | 33,259 81 |
| ect | 31 16 | 9 06 | 200 75 | 494 19 | 270 30 | 40 99 | 138 61 | 74282 | 6 80 | ..... | 1,334 68 |
| | 2,353 06 | 2,283 80 | 3,247 52 | 2,196 87 | 1,908 10 | 2,945 88 | 3,434 40 | 5,411 06 | 3,230 83 | 4,419 63 | 31,925 13 |
| | 718 51 | 596 25 | 736 12 | 734 51 | 734 31 | 987 13 | 636 25 | 746 06 | 727 92 | 737 70 | 7,354 76 |
| | 4 81 | | | | 3 08 | 29 77 | 7 05 | 2 68 | 8 98 | 34 64 | 91 01 |
| | 680 16 | 509 77 | 530 02 | 568 72 | 507 64 | 730 41 | 556 36 | 677 38 | 694 29 | 13,180 86 | 18,635 61 |
| | 258 53 | 258 53 | 258 53 | 258 53 | 258 53 | 258 53 | 258 53 | 258 53 | 258 53 | 258 53 | 2,585 30 |
| | 9,602 61 | 4,411 08 | 6,763 48 | 12,848 31 | 8,453 50 | 18,698 18 | 8,465 03 | 20,200 71 | 22,705 89 | 31,574 11 | 143,782 88 |
| | 1,443 43 | 1,443 43 | 1,443 43 | 1,443 43 | 1,443 43 | 1,443 43 | 1,443 43 | 1,443 43 | 1,443 43 | 1,443 43 | 14,434 30 |
| | | 32 70 | 5 65 | 112 15 | 8 64 | 31 87 | 28 24 | 84 85 | 7 50 | 10 45 | 322 05 |
| | | | | | | | | | | | |
| | 13 63 | 13 63 | 15 34 | 15 34 | 15 34 | 15 34 | 15 34 | 15 34 | 15 34 | 15 34 | 149 98 |
| ,to | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 500 00 |
| | 30 88 | 37 24 | 34 06 | 34 06 | 34 06 | 34 06 | 30 88 | 37 24 | 34 06 | 34 06 | 340 60 |
| | 12,802 56 | 7,352 63 | 9,836 61 | 16,065 05 | 11,508 53 | 22,278 72 | 11,491 11 | 23,576 22 | 25,945 94 | 47,339 12 | 188,196 49 |
| | 220 13 | 235 16 | 237 09 | 265 23 | 235 94 | 364 95 | 311 56 | 290 02 | 267 45 | 267 73 | 2,695 26 |
| | 321 98 | 352 28 | 339 18 | 340 43 | 374 68 | 508 35 | 523 68 | 508 03 | 455 92 | 451 00 | 4,175 53 |
| | 863 71 | 836 86 | 884 16 | 978 71 | 1,012 43 | 1,665 08 | 1,332 06 | 1,308 71 | 1,435 55 | 1,260 22 | 11,577 49 |
| | | | | 2 44 | 20 45 | 52 46 | 48 30 | 42 51 | 42 95 | 45 95 | 255 06 |
| | | | | | | 16 17 | 30 00 | 1 50 | 77 | 34 40 | 82 84 |
| | 1,663 42 | 1,143 13 | 1,257 49 | 1,361 65 | 1,477 87 | 2,480 58 | 1,505 33 | 1,594 35 | 1,645 22 | 1,774 86 | 15,904 10 |
| | 2,912 78 | 696 00 | 2,669 85 | 2,712 10 | 2,293 77 | 2,470 24 | 2,162 84 | 2,722 85 | 2,730 00 | 2,834 00 | 24,204 43 |
| | 1,047 62 | 854 07 | 1,100 63 | 1,031 31 | 1,115 40 | 2,788 73 | 366 84 | 1,407 31 | 1,298 98 | 1,501 24 | 12,512 13 |
| ,to | 2,254 38 | 431 47 | 1,736 12 | 2,696 54 | 3,637 58 | 3,058 18 | 3,325 06 | 2,591 83 | 2,665 17 | 2,849 15 | 25,245 46 |
| | 72 84 | 19 78 | | | | 3 75 | 5 49 | 5 82 | 64 76 | 146 96 | 319 40 |
| | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 750 00 |
| | | 41 | 3 77 | 2 90 | 2 49 | 6 63 | 62 08 | 24 97 | 15 24 | 90 97 | 209 46 |
| | | | 35 75 | | | | 82 40 | | | | 254 75 |
| | 136 60 | | 537 57 | 350 99 | 348 16 | 613 25 | 277 50 | 304 69 | 305 99 | 313 85 | 3,698 77 |
| | 309 21 | 337 56 | | | | | | | | | |
| | 9,657 72 | 4,746 56 | 8,639 52 | 9,582 07 | 10,357 83 | 13,738 42 | 9,796 58 | 10,587 57 | 10,735 55 | 11,377 60 | 99,189 42 |
| | 1,837 00 | 2,517 88 | 1,827 29 | 3,329 79 | 1,710 02 | 2,616 48 | 1,867 98 | 2,914 09 | 1,918 25 | 10,237 10 | 30,775 88 |
| | | | | | 17 50 | | | | | | 17 50 |
| | 36 46 | 40 60 | 101 78 | 39 83 | 39 63 | 42 48 | 41 42 | 43 40 | 39 53 | 98 33 | 523 46 |
| | 1,873 46 | 2,558 48 | 1,929 07 | 3,369 62 | 1,767 15 | 2,658 96 | 1,909 40 | 2,957 49 | 1,957 78 | 10,335 43 | 31,316 84 |
| | 26,906 91 | 17,176 63 | 23,889 81 | 31,448 84 | 25,777 55 | 41,986 93 | 26,943 05 | 42,822 36 | 42,137 55 | 74,233 51 | 353,323 14 |

R. & E. Account Nos. 51, 53, 54 and 57

Index numbers were based upon Index of Railway Equipment Prices issued by Committee of President's Conference Committee of Federal Valuation.

Account No. 51—Locomotives:

| | |
|---|---|
| 1914 | 93 |
| 1920 | 258 |

therefore, 1920 over 1914 would be 93% of 258, or 239.94.

Account No. 53—All-steel freight cars:

| | |
|---|---|
| 1914 | 97 |
| 1920 | 274 |

therefore, 1920 over 1914 would be 97% of 274, or 265.78.

Account No. 54—All-wood passenger cars:

| | |
|---|---|
| 1914 | 98 |
| 1920 | 231 |

therefore, 1920 over 1914 would be 98% of 231, or 226.38.

Account No. 57—All-wood equipment:

| | |
|---|---|
| 1914 | 100 |
| 1920 | 298 |

therefore, 1920 over 1914 would be 298.

(Here follow statements marked side folio pages 280 and 281)

[fol. 282] The Saint Louis and O'Fallon Railway Company

Oath

STATE OF MISSOURI,
City of Saint Louis, ss:

Philip Marsh makes oath and says that he is the Auditor of the Saint Louis and O'Fallon Railway Company, that he has carefully examined each and all of the statements contained in the foregoing return; that all of the statements in said return were prepared under his direction from its records and are true and correct to the best of his knowledge and belief.

(Signature of Affiant:) Philip Marsh, (Title:) Auditor.

Subscribed and sworn to before me, a notary public in and for the State and City above named, this 26th day of September, 1924. A. E. Wright. My commission expires Apr. 26, 1925. (Notarial Seal.)

[fol. 283] Exhibit A

The Saint Louis and O'Fallon Railway Company for the Year Ended, December 31, 1921

Summary of Return

| | As reported by respondent | For use by the Commission |
|---|---|---|
| No. 1. Value of the railway property of the reporting carrier, held for and used in the service of transportation, (Exhibit B) | $1,738,632 19 | |
| No. 2. Six per cent of the value of the railway property held for and used in the service of transportation, as reported under No. 1 | 104,317 93 | |
| No. 3. The amount of Net railway operating income or deficit for the year, (Exhibit C) | 128,962 81 | |
| No. 4. The amount of Net railway operating Income for the year (if any) in excess of six per cent of the value of railway property held for and used in the service of transportation | 24,644 88 | |
| No. 5. One half of the excess, if any | 12,322 44 | |
| No. 6. In case of excess, amount and nature of remittance | | |

## Saint Louis and O'Fallon Railway Company

Investment as of December 31, 1921, Based Upon I. C. C. Valuation of June 30, 1919, at 1914 Prices Augmented by Added Percentages to Basis of 1921 Prices

| B. & E. Account No. | Class | I. C. C. Report Inv. June 30, 1919 Prices June 30, 1914 New | Index No. 1921 over 1914 | I. C. C. Valuation June 30, 1919, Increased to 1921 Basis | Additions as on B. V. Form 588 June 30, 1919 to Dec. 31, 1921 | Retirements as on B. V. Form 588 June 30, 1919 to Dec. 31, 1921 | Reitrements June 30, 1919 to Dec. 31, 1921 Amended to 1921 Prices | Investment as of Dec. 31, 1921 |
|---|---|---|---|---|---|---|---|---|
| | I. Road: | | | | | | | |
| 1 | Engineering | $15,803 00 | | $22,157 00 | ..... | ..... | ..... | $22,157 00 |
| 3 | Grading | 118,990 00 | 100 00 | 118,990 00 | 594 47 | ..... | ..... | 119,584 47 |
| 6 | Bridges, trestles and culverts | 24,492 00 | 144 96 | 35,504 00 | 5,177 62 | 755 70 | 1,095 46 | 39,586 16 |
| 8 | Ties | 43,331 00 | 144 96 | 62,813 00 | 1,573 90 | 24 09 | 34 92 | 64,351 98 |
| 9 | Rails | 67,531 00 | 144 96 | 97,893 00 | 3,224 00 | 1,476 60 | 2,140 48 | 98,976 52 |
| 10 | Other track material | 16,580 00 | 144 96 | 24,034 00 | 1,900 55 | 738 73 | 1,070 86 | 24,863 69 |
| 11 | Ballast | 19,468 00 | 100 00 | 19,468 00 | ..... | ..... | ..... | 19,468 00 |
| 12 | Track laying & Surfacing | 35,490 00 | 267 50 | 94,936 00 | 1,805 35 | 154 51 | 413 31 | 96,328 04 |
| 13 | Right-of-way fences | 43 00 | 144 96 | 62 00 | ..... | ..... | ..... | 62 00 |
| 15 | Crossings & signs | 1,155 00 | 144 96 | 1,674 00 | ..... | ..... | ..... | 1,674 00 |
| 16 | Station & office buildings | 7,328 00 | 144 96 | 10,623 00 | 362 30 | 35 00 | 50 74 | 10,934 56 |
| 17 | Roadway buildings | 850 00 | 144 96 | 1,232 00 | 269 35 | ..... | ..... | 1,501 35 |
| 18 | Water stations | 1,927 00 | 144 96 | 2,793 00 | ..... | ..... | ..... | 2,793 00 |
| 20 | Shops & enginehouses | 37,492 00 | 144 96 | 54,348 00 | 3,645 49 | 51 56 | 74 74 | 57,918 75 |
| 26 | Telegraph & telephone lines | 3,248 00 | 144 96 | 4,708 00 | ..... | ..... | ..... | 4,708 00 |
| 32 | Power distribution systems | 19 00 | 144 96 | 28 00 | ..... | ..... | ..... | 28 00 |
| 33 | Power line poles & fixtures | 9 00 | 144 96 | 13 00 | ..... | ..... | ..... | 13 00 |
| 37 | Roadway machines | 366 00 | 144 96 | 531 00 | 515 84 | ..... | ..... | 1,046 84 |
| 38 | Roadway small tools | 100 00 | 144 96 | 145 00 | ..... | ..... | ..... | 145 00 |
| 44 | Shop machinery | 16,653 00 | 144 96 | 24,140 00 | 1,641 82 | ..... | ..... | 25,781 82 |
| | Total, 1 to 47 inclusive | $410,875 00 | ..... | 576,092 00 | 20,710 69 | 3,236 19 | 4,880 51 | 591,922 18 |
| | II. Equipment: | | | | | | | |
| 51 | Steam locomotives | 56,329 00 | 200 88 | 113,154 00 | 2,044 16 | 171 50 | 344 51 | 114,853 65 |
| 53 | Freight train cars | 422,390 00 | 162 75 | 717,007 00 | 190,884 88 | (Salv. 40,866 74) (Loss 41,983 12) | 40,866 74) 71,266 35) | 795,758 79 |
| 54 | Passenger train cars | 5,326 00 | 169 74 | 8,508 00 | ..... | ..... | ..... | 8,508 00 |
| 57 | Work equipment | 2,132 00 | 197 00 | 4,200 00 | 1,776 72 | 600 00 | 1,182 00 | 4,794 72 |
| 58 | Miscellaneous equipment | 684 00 | 144 96 | 992 00 | 2,643 08 | (684 00) (920 58) | (992 00) (920 58) | 1,722 50 |
| | Total 51 to 58 inclusive | 486,861 00 | ..... | 843,861 00 | 197,348 84 | 85,225 94 | 115,572 18 | 925,637 66 |
| | III. General Expenditures: | | | | | | | |
| 71 | Organization expenses | | | | | | | |
| 72 | General officers & clerks | | | | | | | |
| 73 | Law | 6,163 00 | ..... | 8,541 00 | ..... | ..... | ..... | 8,641 00 |
| 74 | Stationery & printing | | | | | | | |
| 75 | Taxes | | | | | | | |
| 77 | Other expenditures—general | | | | | | | |
| 78 | Interest during construction | 23,985 00 | ..... | 36,047 00 | ..... | ..... | ..... | 36,047 00 |
| | Total, 71 to 77 inclusive | 30,148 00 | ..... | 44,688 00 | ..... | ..... | ..... | 44,688 00 |
| | Grand total, 1 to 77 inclusive | 927,884 00 | ..... | 1,464,641 00 | 218,059 53 | 88,462 13 | 120,452 69 | 1,562,247 84 |

[fol. 284]

Exhibit B

The Saint Louis and O'Fallon Railway Company

Value of the Railway Property Held for and Used in the Service of Transportation by the Respondent for the Year Ended December 31, 1921

| Name | Description of road | | Value of Ry. property as computed by respondent | Investment in road & equipment at close of year | |
|---|---|---|---|---|---|
| | Miles of road | Miles of yard track & siding | | Acct. No. 701 | Total |
| (a) | (b) | (d) | (e) | (f) | (h) |
| St. Louis & O'Fallon Ry. Co. (a) | | | | | |
| Present value of road & equipment excluding land, (Exhibit B) | 8.94 | 11.52 | | $1,139,309.02 | $1,139,309.02 |
| Land at value shown in inventory made by Bureau of Valuation of the Interstate Commerce Commission, June 30, 1917 | | | 1,562,247.84 | | |
| Cash | | | 50,556.25 | | |
| Materials and supplies | | | 77,176.93 | | |
| | | | 48,651.17 | | |
| Totals | 8.94 | 11.52 | $1,738,632.19 | $1,139,309.02 | $1,139,309.02 |

(Here follows statement marked side folio 285)

[fol. 286] O Exhibit B-2

Saint Louis and O'Fallon Railway Company

Explanation of Index Numbers Used for 1921 Over 1914

R. & E. Account Nos. 3 and 11

Index number of 100.00 used because it was considered that for these items, supporting data was insufficient to cause any increase for this period, also improved methods by use of equipment has kept cost about same level.

R. & E. Account Nos. 6, 8, 9, 10, 13, 15, 16, 17, 18, 20, 26, 32, 33, 37, 38, 44 and 58

Index number of 144.96 was based upon Bulletin No. 335, Wholesale Prices, 1890 to 1922, issued by Bureau of Labor Statistics of United States Department of Labor.

Page 9, Index numbers for all commodities shows

| | |
|---|---|
| 1913 | 100 |
| 1914 | 98 |
| 1921 | 147 |

therefore, 1921 over 1914 would be 98% of 147, or 144.96.

R. & E. Account No. 12

Index number of 267.50 was based upon Research Report No. 70, Wages, Hours and Employment of Railroad Workers, issued by National Industrial Conference Board.

Page 23, Index number for actual average hourly earnings shows

| | | | |
|---|---|---|---|
| 1914-1915 | 100 | | |
| 1st quarter, 1921 | 300 | | |
| 2nd " 1921 | 293 | Average | 267 50 |
| 3rd " 1921 | 239 | | |
| 4th " 1921 | 238 | | |

R. & E. Account Nos. 51, 53, 54 and 57

Index numbers were based upon Index of Railway Equipment Prices, issued by Committee of President's Conference Committee of Federal Valuation.

[fol. 287]

Net Railway Operating Income (or Deficit) as stated in the Accou
in the uniform system

| | Account (a) | January (b) | February (c) | March (d) |
|---|---|---|---|---|
| | Credits | | | |
| | Railway operating revenues: | | | |
| 101 | Freight | 62,042 86 | 43,338 32 | 46,077 44 |
| 110 | Switching | 9 00 | 6 00 | 3 00 |
| 111 | Special service train | 300 00 | 300 00 | 300 00 |
| 137 | Demurrage | | | |
| 143 | Miscellaneous | | | |
| | Total operating revenue | 62,351 86 | 43,644 32 | 46,380 44 |
| | Equipment rents: | | | |
| 503 | Freight cars | | | |
| 504 | Locomotives | | | |
| | Total equipment rents | | | |
| 508 | Joint facility rent income | 90 00 | 90 00 | 90 00 |
| | Total credits | 62,441 86 | 43,734 32 | 46,470 44 |
| | Debits | | | |
| | Railway operating expenses | 37,722 22 | 28,744 03 | 16,864 31 |
| 532 | Railway tax accruals | 9,000 00 | 9,000 00 | 9,000 00 |
| 533 | Uncollectible railway revenues | | | |
| | Equipments rents: | | | |
| 536 | Freight cars | 3,450 01 | 351 31 | 5,772 24 |
| 537 | Locomotives | | | 3,630 00 |
| | Total equipment rents | 3,450 01 | 351 31 | 9,402 24 |
| | Total debits | 50,172 23 | 38,095 34 | 35,266 55 |
| | Net railway operating income | 12,269 63 | 5,638 98 | 11,203 89 |

Exhibit C

Saint Louis and O'Fallon Railway Company

) as stated in the Accounting Records of the Respondent for the year ended December 31, 1921, in accordance with the rules prescribed in the uniform system of Accounts. Name of Carrier-St. Louis & O'Fallon Railway Co.

| uary (c) | March (d) | April (e) | May (f) | June (g) | July (h) | August (i) | September (j) | October (k) | November (l) | December (m) | Year 1921 (n) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ,338 32 | 46,077 44 | 41,848 70 | 43,138 38 | 49,924 63 | 41,719 81 | 45,274 83 | 43,093 39 | 52,948 29 | 59,226 84 | 58,395 37 | 587,028 86 |
| 6 00 | 3 00 | 3 00 | 3 00 | 3 00 | 20 00 | 9 00 | 3 00 | 71 50 | 21 00 | 12 00 | 163 50 |
| 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 3,600 00 |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| 644 32 | 46,380 44 | 42,151 70 | 43,441 38 | 50,227 63 | 42,039 81 | 45,583 83 | 43,396 39 | 53,319 79 | 59,547 84 | 58,707 37 | 590,792 36 |
| | | 2,798 68 | | | | | | | | | 2,798 68 |
| | | 90 00 | | | | | | | | | 90 00 |
| | | 2,888 68 | | | | | | | | | 2,888 68 |
| 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 1,080 00 |
| 734 32 | 46,470 44 | 45,130 38 | 43,531 38 | 50,317 63 | 42,129 81 | 45,673 83 | 43,486 39 | 53,409 79 | 59,637 84 | 58,797 37 | 594,761 04 |
| 744 03 | 16,864 31 | 20,863 52 | 26,383 04 | 24,691 30 | 22,576 76 | 20,800 81 | 23,538 13 | 22,324 16 | 20,641 41 | 42,944 12 | 307,793 81 |
| 000 00 | 9,000 00 | 9,000 00 | 12,000 00 | 12,000 00 | 12,000 00 | 12,000 00 | 12,000 00 | 12,000 00 | 12,000 00 | 11,224 33 | 131,224 33 |
| | | | | | | | | | | | |
| 331 31 | 5,772 24 | | 2,084 61 | 970 35 | 2,042 30 | 1,447 31 | 2,541 03 | 3,194 32 | 410 08 | 300 56 | 22,564 12 |
| | 3,630 00 | 585 97 | | | | | | | | | 4,215 97 |
| 331 31 | 9,402 24 | 585 97 | 2,084 61 | 970 35 | 2,042 30 | 1,447 31 | 2,541 03 | 3,194 32 | 410 08 | 300 56 | 26,780 09 |
| 995 34 | 35,296 55 | 30,149 49 | 40,467 65 | 37,661 65 | 36,619 06 | 34,248 12 | 38,079 16 | 37,518 48 | 33,051 49 | 54,469 01 | 465,798 23 |
| 338 98 | 11,233 89 | 14,980 89 | 3,063 73 | 12,655 98 | 5,510 75 | 11,425 71 | 5,407 23 | 15,891 31 | 26,586 35 | 4,328 36 | 128,962 81 |

| | | January | February | St |
|---|---|---|---|---|
| | I. Maintenance of way and structures: | | | |
| 1201 | Superintendence | 247 84 | 256 52 | |
| 1202 | Maintaining roadway and track | 2,283 81 | 1,607 70 | |
| 1203 | Maintaining track structures | 933 10 | 335 27 | |
| 1204 | Maintaining ancillary structures | 118 54 | 95 79 | |
| 1206 | Injuries to persons | 50 00 | 50 00 | |
| 1207 | Other way and structure expense | 126 12 | 60 57 | |
| | Total accounts Nos. 1201 to 1207 | 3,759 41 | 2,405 85 | |
| 1209 | Maintaining joint tracks, yds. and other facilities—Cr. | 129 61 | 3 77 | |
| | Total maintenance of way and structures | 3,629 80 | 2,402 08 | |
| | II. Maintenance of equipment: | | | |
| 1221 | Superintendence | 727 64 | 636 25 | |
| 1222 | Repairs of machinery and other apparatus | 1 35 | 12 49 | |
| 1224 | Locomotive repairs | 1,438 84 | 821 14 | |
| 1225 | Locomotive depreciation and retirements | 258 53 | 260 93 | |
| 1226 | Car repairs | 17,267 23 | 12,890 80 | |
| 1227 | Car depreciation and retirements | 1,443 43 | 1,443 43 | |
| 1231 | Work equipment depreciation and retirements | 5 17 | 5 17 | |
| 1232 | Miscellaneous equipment repairs | 121 54 | 11 41 | |
| 1233 | Miscel. equipment depreciation and retirement | 15 34 | 15 34 | |
| 1234 | Injuries to persons | 50 00 | 50 00 | |
| 1235 | Other equipment expenses | 34 06 | 30 88 | |
| | Total accounts Nos. 1221 to 1235 | 21,363 13 | 16,177 84 | |
| | III. Traffic: | | | |
| 1251 | Traffic expenses | 388 46 | 328 37 | |
| | IV. Transportation—Rail line: | | | |
| 1261 | Superintendence and dispatching | 458 81 | 437 85 | |
| 1262 | Station service | 1,520 44 | 1,297 54 | |
| 1264 | Other yard employees | 36 16 | 40 05 | |
| 1267 | Other yard expenses | | | |
| 1270 | Train enginemen and motormen | 1,449 47 | 997 46 | |
| 1271 | Fuel for train locomotives | 2,388 20 | 1,760 37 | |
| 1273 | Other train locomotive supplies and expenses | 1,400 69 | 1,170 88 | |
| 1274 | Trainmen | 2,369 02 | 1,695 08 | |
| 1275 | Train supplies and expenses | 134 31 | 67 48 | |
| 1276 | Injuries to persons | 75 00 | 75 00 | |
| 1277 | Loss and damage | 14 92 | 4 56 | |
| 1278 | Other casualty expenses | | | |
| 1279 | Other rail transportation expenses | 313 85 | 304 49 | |
| | Total accounts Nos. 1261 to 1279 | 10,160 87 | 7,850 76 | |
| | VII. General: | | | |
| 1291 | Administration | | | |
| 1292 | Insurance—General | 2,139 58 | 1,945 12 | |
| 1293 | Valuation expenses | | | |
| 1294 | Other general expenses | 40 38 | 39 86 | |
| | Total accounts Nos. 1291 to 1294 | 2,179 96 | 1,984 99 | |
| | Total of accounts Nos. 1201–1207, 1221–1235, 1251, 1261–1267, 1270–1279, 1285, 1288 and 1291–1924 | 37,851 83 | 28,747 80 | 1 |
| | Less joint facility credits | 129 61 | 3 77 | |
| | Grand total railway operating expenses | 37,722 22 | 28,744 03 | 1 |

[* Red in copy]

Exhibit C-1

Saint Louis and O'Fallon Railway Company

Statement of Operating Expenses by Months for Year 1921

| ry | February | March | April | May | June | July | August | September | October | November | December | Year 1922 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 84 | 256 52 | 312 92 | 263 02 | 245 98 | 288 26 | 280 56 | 266 50 | 276 81 | 270 10 | 284 76 | 289 20 | 3,282 47 |
| 61 | 1,607 70 | 2,025 02 | 1,613 00 | 1,676 11 | 2,597 02 | 2,145 65 | 2,100 66 | 2,240 04 | 1,910 92 | 2,709 56 | 2,561 30* | 20,348 19 |
| 0 | 335 27 | 125 73 | 185 81 | 303 23 | 25 01 | 152 62 | 510 45 | 136 32 | 78 32 | 27 83 | 13 57 | 2,827 26 |
| 4 | 95 79 | 103 10 | 622 22 | 349 35 | 341 49 | 120 35 | 103 80 | 239 19 | 94 44 | 48 41 | 179 85 | 2,416 53 |
| 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 600 00 |
| 12 | 60 57 | 98 61 | 83 44 | 43 68 | 54 40 | 53 30 | 53 77 | 74 45 | 69 10 | 49 76 | 20 30 | 787 50 |
| 1 | 2,405 85 | 2,715 38 | 2,817 49 | 2,666 35 | 3,356 18 | 2,802 48 | 3,085 18 | 3,016 81 | 2,472 88 | 3,170 32 | 2,008 38* | 30,261 95 |
| 51 | 3 77 | 26 06 | 406 98 | 487 25 | 203 99 | 19 73 | 112 42 | 45 45 | 294 17 | 171 19 | 59 30* | 1,841 32 |
| 90 | 2,402 08 | 2,689 32 | 2,410 51 | 2,181 10 | 3,152 19 | 2,782 75 | 2,972 76 | 2,971 36 | 2,178 71 | 2,999 13 | 2,067 68* | 28,302 03 |
| 34 | 636 25 | 813 22 | 618 96 | 679 32 | 638 75 | 798 88 | 672 49 | 640 00 | 829 08 | 864 34 | 1,083 35 | 9,002 28 |
| 53 | 12 49 | 45 31 | 155 49 | 2 98 | 1 35 | 95 05 | 5 84 | 8 19 | 14 54 | 176 53 | 144 65 | 663 77 |
| 54 | 821 14 | 6,553 23 | 213 38 | 8,450 28 | 764 79 | 4,689 92 | 592 79 | 552 68 | 530 82 | 644 02 | 450 02* | 24,801 87 |
| 3 | 260 93 | 259 73 | 259 73 | 259 73 | 259 73 | 259 73 | 259 73 | 259 73 | 259 73 | 259 73 | 259 73 | 3,116 76 |
| 53 | 12 800 80 | 5,804 14* | 4,739 26 | 4,789 35 | 9,014 58 | 3,500 14 | 6,288 23 | 9,043 11 | 7,672 93 | 4,704 31 | 27,102 45 | 101,214 25 |
| 3 | 1,443 43 | 1,443 43 | 1,443 43 | 1,443 43 | 1,443 43 | 1,528 23 | 1,528 23 | 1,528 23 | 1,732 72 | 1,730 65 | 1,732 65 | 18,441 29 |
| 7 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 62 04 |
| 54 | 11 41 | 1 30 | 9 00 | | 10 75 | 10 80 | 32 11 | 21 52 | 18 06 | 26 53 | 3 16 | 266 18 |
| 34 | 15 34 | 15 34 | 15 34 | 28 71 | 28 71 | 28 71 | 28 71 | 28 71 | 28 71 | 28 71 | 28 71 | 291 04 |
| 30 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 600 00 |
| 36 | 30 88 | 37 24 | 34 06 | 34 06 | 30 88 | 37 24 | 34 06 | 34 06 | 34 06 | 34 06 | 51 70* | 322 96 |
| 3 | 16,177 84 | 3,419 83 | 7,543 82 | 15,743 03 | 12,248 14 | 11,009 87 | 9,497 36 | 12,171 40 | 11,175 82 | 8,524 05 | 29,908 15 | 158,782 44 |
| 8 | 328 37 | 280 00 | 264 26 | 262 41 | 302 61 | 263 44 | 261 01 | 263 74 | 275 17 | 325 14 | 255 37 | 3,469 98 |
| 31 | 437 85 | 499 97 | 461 12 | 444 93 | 437 75 | 481 40 | 436 00 | 460 63 | 458 08 | 448 62 | 456 90 | 5,482 06 |
| 4 | 1,297 54 | 1,303 29 | 1,329 48 | 1,272 09 | 1,296 35 | 1,247 08 | 1,261 79 | 1,272 10 | 1,262 13 | 1,268 79 | 1,244 46 | 15,575 54 |
| 6 | 40 05 | 53 55 | 54 38 | 61 78 | 54 17 | 52 38 | 44 44 | 41 80 | 32 65 | 36 86 | 45 24 | 555 46 |
| | | | 6 92 | | | | | 2 40 | | 1 11 | 42 44 | 52 87 |
| 7 | 997 46 | 989 55 | 795 05 | 725 93 | 952 42 | 717 75 | 699 83 | 708 12 | 872 93 | 921 85 | 925 73 | 10,756 10 |
| 0 | 1,760 37 | 1,745 58 | 1,464 70 | 542 83 | 701 53 | 615 06 | 696 54 | 702 39 | 894 10 | 918 76 | 1,065 01 | 13,495 07 |
| 9 | 1,170 88 | 1,298 90 | 1,206 49 | 1,346 55 | 1,304 50 | 1,126 93 | 1,122 96 | 1,077 20 | 1,300 01 | 1,136 33 | 1,136 41 | 14,629 85 |
| 2 | 1,695 08 | 1,674 12 | 1,386 14 | 1,279 50 | 1,646 95 | 1,284 62 | 1,254 40 | 1,265 41 | 1,506 64 | 1,599 30 | 1,586 85 | 18,548 03 |
| 1 | 67 48 | 51 30 | 36 81 | 32 64 | 56 33 | 36 67 | 29 58 | 31 43 | 40 65 | 69 61 | 33 25 | 620 26 |
| 0 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 900 00 |
| 2 | 4 56 | 35 24 | 35 05 | 43 68 | 34 92 | 59 74 | 94 54 | 29 70 | 14 89 | 2 19 | 18 42 | 387 85 |
| | | 137 16 | | | 97 76 | | | 10 07 | | | | 244 93 |
| 3 | 304 49 | 320 41 | 303 59 | 309 92 | 301 18 | 312 55 | 302 06 | 316 01 | 270 62 | 305 99 | 137 14 | 3,497 81 |
| 7 | 7,850 76 | 8,186 07 | 7,154 73 | 6,134 85 | 6,958 80 | 6,009 38 | 6,017 14 | 5,992 26 | 6,727 71 | 6,786 41 | 6,766 85 | 84,745 83 |
| 6 | 1,945 12 | 2,134 94 | 3,135 92 | 2,020 77 | 1,872 35 | 2,451 07 | 2,013 91 | 2,099 66 | 1,928 42 | 1,965 95 | 8,136 14 | 31,843 83 |
| | | | | | | 17 50 | | | | | | 17 50 |
| | | | 12 00 | | | | | | | 1 05 | | 13 05 |
| | 39 86 | 154 15 | 42 28 | 40 88 | 157 21 | 42 75 | 38 63 | 39 71 | 38 33 | 39 68 | 54 71* | 619 15 |
| 5 | 1,984 99 | 2,289 09 | 3,190 20 | 2,061 65 | 2,029 56 | 2,511 32 | 2,052 54 | 2,139 37 | 1,966 75 | 2,006 68 | 8,081 43 | 32,493 53 |
| 1 | 28,747 80 | 16,890 30 | 20,970 50 | 26,870 29 | 24,895 29 | 22,696 49 | 20,913 23 | 23,583 58 | 22,618 33 | 20,812 60 | 43,003 42 | 309,753 73 |
| 5 | 3 77 | 26 06 | 406 98 | 487 25 | 203 99 | 19 73 | 112 42 | 45 45 | 294 17 | 171 19 | 59 30* | 1,841 32 |
| 2 | 28,744 03 | 16,864 36 | 20,563 52 | 26,388 04 | 24,691 30 | 22,676 76 | 20,800 81 | 23,538 13 | 22,324 16 | 20,641 41 | 42,944 12 | 307,793 81 |

Account No. 51—Locomotives:

| | |
|---|---|
| 1914 | 93 |
| 1921 | 216 |

therefore, 1921 over 1914 would be 93% of 216, or 200.88.

Account No. 53—All steel freight cars:

| | |
|---|---|
| 1914 | 97 |
| 1921 | 175 |

therefore, 1921 over 1914 would be 97% of 175, or 169.75.

Account No. 54—All wood passenger cars:

| | |
|---|---|
| 1914 | 98 |
| 1921 | 163 |

therefore, 1921 over 1914 would be 98% of 163, or 159.74.

Account No. 57—All wood equipment:

| | |
|---|---|
| 1914 | 100 |
| 1921 | 197 |

therefore, 1921 over 1914 would be 197.

(Here follow statements marked side folio pages 287 and 288)

[fol. 289] The Saint Louis and O'Fallon Railway Company

Oath

STATE OF MISSOURI,
City of Saint Louis, ss:

Philip Marsh makes oath and says that he is the Auditor of the Saint Louis and O'Fallon Railway Company, that he has carefully examined each and all of the statements contained in the foregoing return; that all of the statements in said return were prepared under his direction from its records and are true and correct to the best of his knowledge and belief.

(Signature of affiant:) Philip Marsh, (Title:) Auditor.

Subscribed and sworn to before me, a notary public in and for the State and City above named, this 26th day of September, 1924. A. E. Wright. My commission expires Apr. 26, 1925. (Notarial Seal.)

[fol. 290] Exhibit A

The Saint Louis and O'Fallon Railway Company for the Year Ended, December 31, 1922

Summary of Return

| | As reported by respondent | For use by the Commission |
|---|---|---|
| No. 1. Value of the railway property of the reporting carrier, held for and used in the service of transportation, (Exhibit B) | $1,641,785.42 | |
| No. 2. Six per cent of the value of the railway property held for and used in the service of transportation, as reported under No. 1 | 98,507.13 | |
| No. 3. The amount of Net railway operating income or deficit for the year, (Exhibit C) | 124,577.45 | |
| No. 4. The amount of Net railway operating income for the year (if any) in excess of six per cent of the value of railway property held for and used in the service of transportation | 26,070.32 | |
| No. 5. One half of the excess, if any | 13,035.16 | |
| No. 6. In case of excess, amount and nature of remittance | | |

Investment as of December 31, 1922, Based Upon I. C. C. Valuation of Ju

| I. & E. account No. | Class | I. C. C. Report Inv. June 30, 1919 Prices June 30, 1914 New | Index No 1922 over 19 |
|---|---|---|---|
| | I. Road: | | |
| 1 | Engineering | $15,803 00 | |
| 3 | Grading | 118,990 00 | 100 00 |
| 6 | Bridges, trestles and culverts | 24,492 00 | 146 02 |
| 8 | Ties | 43,331 00 | 146 02 |
| 9 | Rails | 67,531 00 | 146 02 |
| 10 | Other track material | 16,580 00 | 146 02 |
| 11 | Ballast | 19,468 00 | 100 00 |
| 12 | Track laying & Surfacing | 35,490 00 | 225 00 |
| 13 | Right-of-way fences | 43 00 | 146 02 |
| 15 | Crossings and signs | 1,155 00 | 146 02 |
| 16 | Station and office buildings | 7,328 00 | 146 02 |
| 17 | Roadway buildings | 850 00 | 146 02 |
| 18 | Water stations | 1,927 00 | 146 02 |
| 20 | Shops & enginehouses | 37,492 00 | 146 02 |
| 26 | Telegraph & telephone lines | 3,248 00 | 146 02 |
| 32 | Power distribution systems | 19 00 | 146 02 |
| 33 | Power line poles & fixtures | 9 00 | 146 02 |
| 37 | Roadway machines | 366 00 | 146 02 |
| 38 | Roadway small tools | 100 00 | 146 02 |
| 39 | Assessments for public improvements | | |
| 44 | Shop machinery | 16,653 00 | 146 02 |
| | Total, 1 to 47 inclusive | $410,875 00 | |
| | II. Equipment | | |
| 51 | Steam locomotives | 56,329 00 | 187 86 |
| 53 | Freight train cars | 422,390 00 | 151 32 |
| 54 | Passenger train cars | 5,326 00 | 156 80 |
| 57 | Work equipment | 2,132 00 | 175 00 |
| 58 | Miscellaneous equipment | 684 00 | 146 02 |
| | Total 51 to 58 inclusive | 486,861 00 | |
| | III. General Expenditures | | |
| 71 | Organization expenses | | |
| 72 | General officers & clerks | | |
| 73 | Law | 6,163 00 | |
| 74 | Stationery & printing | | |
| 75 | Taxes | | |
| 77 | Other expenditures—general | | |
| 76 | Interest during construction | 23,985 00 | |
| | Total, 71 to 77 inclusive | 30,148 00 | |
| | Grand total, 1 to 77 inclusive | 927,884 00 | |

n Railway Company

: B-1

e 30, 1919, at 1914 Prices Augmented by Added Percentages to Basis of 1922 Prices

| 4 | I. C. C. Valuation Increased to 1922 Basis | Additions as on B. V. Form 588 June 30, 1919 to Dec. 31, 1922 | Retirements as on B. V. Form 588 June 30, 1919 to Dec. 31, 1922 | Retirements June 30, 1919 to Dec. 31, 1922 Amended to 1922 Prices | Investment as of Dec. 31, 1922 |
|---|---|---|---|---|---|
| | $21 648 00 | | | | $21,648 00 |
| | 18 980 00 | 594 47 | | | 119,584 47 |
| | 35 763 00 | 5,177 62 | 755 70 | 1,103 47 | 39,837 15 |
| | 63 272 00 | 1,573 90 | 24 09 | 35 18 | 64,810 72 |
| | 98 009 00 | 3,224 00 | 1,476 60 | 2,156 13 | 99,676 87 |
| | 24 210 00 | 1,900 55 | 738 73 | 1,078 69 | 25,031 86 |
| | 79 853 00 | 1,805 35 | 154 51 | 347 65 | 19,468 00 |
| | 63 00 | | | | 81,310 70 |
| | 1,687 00 | | | | 63 00 |
| | 10,700 00 | 877 60 | 35 00 | 51 11 | 1,687 00 |
| | 1 241 00 | 460 88 | | | 11,526 49 |
| | 2 814 00 | | | | 1,701 88 |
| | 54 746 00 | 3 645 49 | 51 56 | 75 29 | 2,814 00 |
| | 4,743 00 | | | | 58,316 20 |
| | 28 00 | | | | 4,743 00 |
| | 13 00 | | | | 28 00 |
| | 534 00 | 853 88 | | | 13 00 |
| | 146 00 | | | | 1,387 88 |
| | | 474 50 | | | 146 00 |
| | 24,317 00 | 1,641 82 | | | 474 50 |
| | | | | | 25,958 82 |
| | 562,845 00 | 22,230 06 | 3,236 19 | 4,847 52 | 580,227 54 |
| | 105,820 00 | 2,044 16 | 171 50 | 322 18 | 107,541 98 |
| | 639,161 00 | 190,884 88 | (Salv. 40,866 74) Loss 41,983 12 | (40,866 74) (63,528 86) | 725,650 28 |
| | 8,351 00 | | | | 8,351 00 |
| | 3,731 00 | 1,776 72 | 600 00 | 1,050 00 | 4,457 72 |
| | 999 00 | 4,775 13 | (684 00) (2,643 08) | (999 00) (2,643 08) | 2,132 05 |
| | 758,062 00 | 199,480 89 | 86,948 44 | 109,409 86 | 848,133 03 |
| | 8,443 00 | | | | 8,443 00 |
| | .. | | | | |
| | 34,223 00 | | | | 34,223 00 |
| | 42,666 00 | | | | 42,666 00 |
| | 1,363,573 00 | 221,710 95 | 90,184 63 | 114,257 38 | 1,471,026 57 |

[fol. 291]

O Exhibit B

The Saint Louis and O'Fallon Railway Company

Value of Railway Property Held for and Used in the Service of Transportation by the Respondent for the Year Ended December 31, 1922

| Description of road | | | | Investment in road & equipment at close of year | |
|---|---|---|---|---|---|
| Name (a) | Miles of road (b) | Miles of yard track & siding (d) | Value of ry. property as computed by respondent (e) | Acct. No. 701 (f) | Total (h) |
| St. Louis & O'Fallon Ry. Co. (a) | 8.94 | 11.52 | | $1,141,128.08 | $1,141,128.08 |
| Present value of road & equipment excluding land, (Exhibit B) | .... | .... | $1,471,026.57 | ..... | ..... |
| Land at value shown in inventory made by Bureau of Valuation of the Interstate Commerce Commission, June 30, 1917 | .... | .... | 50,556.25 | ..... | ..... |
| Cash | .... | .... | 78,022.53 | ..... | ..... |
| Material and supplies | .... | .... | 42,180.07 | ..... | ..... |
| | 8.94 | 11.52 | $1,641,785.42 | $1,141,128.08 | $1,141,128.08 |

(Here follows statement marked side folio page 292)

[fol. 293] O Exhibit B-2

Saint Louis and O'Fallon Railway Company

Explanation of Index Numbers Used for 1922 Over 1914

R. & E. Account Nos. 3 and 11

Index number of 100.00 used because it was considered that for these items, supporting data was insufficient to cause any increase for this period, also improved methods by use of equipment has kept costs about same level.

R. & E. Account Nos. 6, 8, 9, 10, 13, 15, 16, 17, 18, 20, 26, 32, 33, 37, 38, 44 and 58

Index number of 146.02 was based upon Bulletin No. 335—Wholesale Prices, 1890 to 1922, issued by Bureau of Labor Statistics of United States Department of Labor.

Page 9, Index numbers for all commodities shows

| | |
|---|---|
| 1913 | 100 |
| 1914 | 98 |
| 1922 | 149 |

therefore, 1922 over 1914 would be 98% of 149, or 146.02.

R. & E. Account No. 12

Index number of 225.00 was based upon Research Report No. 70—Wages, Hours and Employment of Railroad Workers, issued by National Industrial Conference Board.

Page 23, Index number for actual average hourly earnings shows

| | | |
|---|---|---|
| 1914-1915 | 100 | |
| 1st quarter, 1922 | 236 | Average 225 |
| 2nd " 1922 | 235 | |
| 3rd " 1922 | 211 | |
| 4th " 1922 | 218 | |

R. & E. Account Nos. 51, 53, 54 and 57

Index numbers were based upon Index of Railway Equipment Prices, issued by Committee of President's Conference Committee of Federal Valuation.

[fol. 294]

Sai

Net Railway Operating Income (or Deficit) as Stated in the Accountin

Name of C

| | Account (a) | January (b) | February (c) | March (d) | |
|---|---|---|---|---|---|
| | Credits | | | | |
| | Railway operating revenues: | | | | |
| 101 | Freight | 52,936 00 | 58,083 28 | 73,670 28 | |
| 110 | Switching | 20 50 | 17 50 | 24 00 | |
| 111 | Special service train | 300 00 | 300 00 | 300 00 | |
| 137 | Demurrage | | | | |
| 143 | Miscellaneous | | | | |
| | Total operating revenue | 53,256 50 | 58,400 78 | 73,994 28 | |
| | Equipment rents: | | | | |
| 503 | Freight cars | | | | |
| 504 | Locomotives | | | | |
| | Total equipment rents | | | | |
| 508 | Joint facility rent income | 90 00 | 90 00 | 90 00 | |
| | Total credits | 53,346 50 | 58,490 78 | 74,084 28 | |
| | Debits | | | | |
| | Railway operating expenses | 41,293 17 | 44,280 78 | 32,682 38 | |
| 532 | Railway tax accruals | 12,000 00 | 7,000 00 | 7,000 00 | |
| 533 | Uncollectible ry. revenues | | | | |
| | Equipments rents | | | | |
| 536 | Freight cars | 1,027 50 | 1,368 78 | 961 25 | |
| 537 | Locomotives | | | | |
| | Total equipment rents | 1,027 50 | 1,368 78 | 961 25 | |
| | Total debits | 54,320 67 | 52,649 56 | 40,643 63 | |
| | Net railway operating income | 974 17* | 5,841 22 | 33,440 65 | |

*Indicates deficit.

O Exhibit C

Saint Louis and O'Fallon Railway Company

...ct) as Stated in the Accounting Records of the Respondent for the Year Ended December 31, 1922, in Accordance with the Rules Prescribed in the Uniform System of Accounts

Name of Carrier: St. Louis & O'Fallon Railway Co.

| | February (c) | March (d) | April (e) | May (f) | June (g) | July (h) | August (i) | September (j) | October (k) | November (l) | December (m) | Year 1922 (n) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 58,083 28 | 73,670 28 | 9,028 80 | 5,258 13 | 653 41 | 30 00 | 18,937 25 | 65,474 90 | 71,869 92 | 63,323 88 | 70,189 22 | 489,455 07 |
| | 17 50 | 24 00 | 5 50 | | 5 50 | 7 65 | | 16 20 | 18 90 | 33 30 | 10 80 | 159 85 |
| | 300 00 | 300 00 | | | | | 77 44 | 300 00 | 300 00 | 300 00 | 300 00 | 2,177 44 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | 58,400 78 | 73,994 28 | 9,034 30 | 5,258 13 | 658 91 | 37 65 | 19,014 69 | 65,791 10 | 72,188 82 | 63,657 18 | 70,500 02 | 491,792 36 |
| | | | | 548 99 | 106 14 | 414 00 | 1,289 77 | 467 56 | 2,692 80 | | 1,747 18 | 7,266 44 |
| | | | | | 850 00 | 450 00 | | | | | | 1,300 00 |
| | | | | 548 99 | 956 14 | 864 00 | 1,289 77 | 467 56 | 2,692 80 | | | 8,566 44 |
| | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 1,080 00 |
| | 58,490 78 | 74,084 28 | 9,124 30 | 5,897 12 | 1,705 05 | 991 65 | 20,304 46 | 66,348 66 | 74,971 18 | 63,747 18 | 72,337 29 | 501,438 80 |
| | 44,280 78 | 32,682 38 | 15,007 64 | 15,241 22 | 14,030 21 | 11,307 69 | 11,310 41 | 23,540 49 | 24,007 87 | 24,491 36 | 26,201 09 | 283,484 31 |
| | 7,000 00 | 7,000 00 | 7,000 00 | 7,000 00 | 7,000 00 | 7,000 00 | 7,000 00 | 7,000 00 | 7,000 00 | 7,000 00 | 6,175 02 | 88,175 02 |
| | | | | | | | | | | | | |
| | 1,368 78 | 961 25 | 1,693 05 | | | | | | | 151 44 | | 5,202 02 |
| | | | | | | | | | | | | |
| | 1,368 78 | 961 25 | 1,693 05 | | | | | | | 151 44 | | 5,202 02 |
| | 52,649 56 | 40,643 63 | 23,700 69 | 22,241 22 | 21,030 21 | 18,307 69 | 18,310 41 | 30,540 49 | 31,007 87 | 31,642 80 | 32,376 11 | 376,861 35 |
| | 5,841 22 | 33,440 65 | 14,576 39* | 16,344 10* | 19,325 16* | 17,316 04* | 2,084 05 | 36,808 17 | 43,472 75 | 32,104 38 | 39,961 09 | 124,577 45 |

| | | January | February | M |
|---|---|---|---|---|
| | I. Maintenance of way and structures: | | | |
| 1201 | Superintendence | 307 52 | 308 94 | |
| 1202 | Maintaining roadway and track | 1,375 17 | 1,546 12 | 1 |
| 1203 | Maintaining track structures | 22 56 | 29 74 | |
| 1204 | Maintaining ancillary structures | 149 36 | 83 56 | |
| 1206 | Injuries to persons | 50 00 | 50 00 | |
| 1207 | Other way and structure expense | 55 63 | 53 97 | |
| | Total accounts Nos. 1201 to 1207 | 1,960 24 | 2,072 33 | 2 |
| 1209 | Maintaining joint tracks, yards and other facilities—Cr | 2 20 | 17 05 | |
| | Total maintenance of way and structures | 1,958 04 | 2,055 28 | 2 |
| | II. Maintenance of equipment: | | | |
| 1221 | Superintendence | 946 77 | 1,001 27 | |
| 1222 | Repairs of machinery and other apparatus | 27 71 | 12 84 | |
| 1224 | Locomotive repairs | 746 21 | 633 86 | |
| 1225 | Locomotive depreciation and retirements | 264 57 | 264 57 | |
| 1226 | Car repairs | 26,516 25 | 28,869 12 | 15 |
| 1227 | Car depreciation and retirements | 1,799 34 | 1,801 52 | 1 |
| 1230 | Work equipment repairs | | | |
| 1231 | Work equipment depreciation and retirements | 5 17 | 5 17 | |
| 1232 | Miscellaneous equipment repairs | | 8 64 | |
| 1233 | Miscellaneous equipment depreciation and retirement | 28 71 | 28 71 | |
| 1234 | Injuries to persons | 50 00 | 50 00 | |
| 1235 | Other equipment expenses | 40 53 | 40 53 | |
| | Total accounts Nos. 1221 to 1235 | 30,425 26 | 32,716 23 | 30 |
| | III. Traffic: | | | |
| 1251 | Traffic expenses | 273 31 | 295 44 | |
| | IV. Transportation—Rail line: | | | |
| 1261 | Superintendence and dispatching | 480 10 | 473 58 | |
| 1262 | Station service | 1,256 10 | 1,209 62 | 1 |
| 1264 | Other yard employees | | 39 35 | |
| 1267 | Other yard expenses | 1 20 | 9 53 | |
| 1270 | Train enginemen and motormen | 847 45 | 900 82 | |
| 1271 | Fuel for train locomotives | 992 72 | 973 77 | |
| 1273 | Other train locomotive supplies and expenses | 1,185 55 | 1,159 90 | 1 |
| 1274 | Trainmen | 1,470 65 | 1,546 92 | 1 |
| 1275 | Train supplies and expenses | 29 75 | 27 30 | |
| 1276 | Injuries to persons | 75 00 | 75 00 | |
| 1277 | Loss and damage | 18 89 | 10 88 | |
| 1278 | Other casualty expenses | | | |
| 1279 | Other rail transportation expenses | 302 31 | 276 93 | |
| | Total accounts Nos. 1261 to 1279 | 6,659 72 | 6,703 60 | 7 |
| | VII. General: | | | |
| 1291 | Administration | 1,954 16 | 2,488 40 | 2 |
| 1292 | Insurance—General | | | |
| 1294 | Other general expenses | 22 68 | 21 83 | |
| | Total accounts Nos. 1291 to 1294 | 1,976 84 | 2,510 23 | 2 |
| | Total of accounts Nos. 1201–1207, 1221–1235, 1251, 1261–1267, 1270–1279, 1285, 1288 and 1291–1294 | 41,295 37 | 44,297 83 | 43 |
| | Less joint facility credits | 2 20 | 17 05 | |
| | Grand total—Railway operating expenses | 41,293 17 | 44,280 78 | 43 |

*Indicates deficit.

O Exhibit C-1

Saint Louis and O'Fallon Railway Company

Statement of Operating Expenses by Months for Year 1922

| uary | February | March | April | May | June | July | August | September | October | November | December | Year 1922 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 307 52 | 308 94 | 326 75 | 207 88 | 202 83 | 209 83 | 200 93 | 204 00 | 213 96 | 217 25 | 224.50 | 213 55 | 2,837 94 |
| 375 17 | 1,546 12 | 1,790 18 | 2,446 00 | 2,831 35 | 2,541 78 | 2,026 27 | 2,777 88 | 2,092 23 | 2,507 37 | 2,118 25 | 1,226 59 | 25,279.19 |
| 22 56 | 29 74 | 50 51 | 32 54 | 63 02 | 54 67 | 46 04 | 13 34 | 145 53 | 507 87 | 834 85 | 221 84 | 2,022.51 |
| 149 36 | 83 56 | 212 22 | 149 73 | 169 03 | 37 48 | 32 41 | 34 59 | 81 08 | 43 84 | 152 08 | 464 32 | 1,610.30 |
| 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50.00 | 50.00 | 600.00 |
| 55 63 | 53 97 | 91 36 | 100 87 | 46 33 | 121 75 | 90 36 | 69 87 | 47 41 | 57 30 | 51 48 | 103.80 | 890.13 |
| 960 24 | 2,072 33 | 2,521 02 | 2,987 02 | 3,363 16 | 3,015 51 | 2,446 01 | 3,149 68 | 2,630 21 | 3,383 63 | 3,431 16 | 2,280.10 | 33,240 07 |
| 2 20 | 17 05 | 16 59 | 15 99 | 75 13 | 333 05 | 374 44 | 293 44 | 203 29 | 201 09 | 5 97 | 11 69 | 1,549 93 |
| 958 04 | 2,055 28 | 2,504 43 | 2,971 03 | 3,288 03 | 2,682 46 | 2,071 57 | 2,856 24 | 2,426 92 | 3,182 54 | 3,425 19 | 2,268.41 | 31,690 14 |
| 946 77 | 1,001 27 | 840 67 | 800 50 | 1,007 20 | 916 10 | 712 91 | 834 47 | 864 52 | 858 06 | 859 70 | 860 03 | 10,502 20 |
| 27 71 | 12 84 | 32 62 | 233 84 | 401 45 | 410 79 | 181 07 | 498 03 | 3,653 25 | 34 83 | 8 26 | 6 54* | 5,488 15 |
| 746 21 | 633 86 | 682 38 | 572 70 | 751 96 | 1,278 68 | 232 41 | 421 72 | 1,026 01 | 848 46 | 2,615 51 | 1,049 13 | 10,859 03 |
| 264 57 | 264 57 | 264 57 | 264 57 | 264 57 | 264 57 | 264 57 | 264 57 | 264 57 | 264 57 | 264 57 | 264 57 | 3,174 84 |
| 516 25 | 28 869 12 | 15,859 70 | 1,696 31 | 1 406 47 | 758 52 | 8 42* | 2,511 75* | 3,042 64 | 6,521 29 | 5,311 89 | 8,759 91 | 96,221.93 |
| 799 34 | 1,801 52 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 21,616.26 |
| | | | | | | | 3 15 | | | | .03 | 3.12 |
| 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 62.04 |
| | 8 64 | 1 64 | 3 87 | 109 33 | 19 11 | 1 25 | 11 50 | 36 89 | 9 50 | 10 65 | 16 36 | 228.74 |
| 28 71 | 28 71 | 28 71 | 28 71 | 28 71 | 28 71 | 28 71 | 28 71 | 413 14 | 35 16 | 35 16 | 35 16 | 748 30 |
| 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 600 00 |
| 40 53 | 40 53 | 40 53 | 50 53 | 40 53 | 40 53 | 40 53 | 40 53 | 41 22 | 40 53 | 40 53 | 40 53 | 497 05 |
| 425 26 | 32,716 23 | 19,607 53 | 5,507 74 | 5,866 93 | 5,573 72 | 3,309 74 | 1,447 64 | 11,198 95 | 10,469 11 | 11,002 98 | 12,875 83 | 150,001 66 |
| 273 31 | 295 44 | 262 95 | 328 08 | 330 02 | 493 23 | 344 87 | 402 57 | 328 66 | 466 89 | 336 29 | 355 61 | 4,217 29 |
| 480 10 | 473 58 | 469 17 | 427 48 | 439 94 | 422 40 | 430 02 | 426 88 | 474 21 | 475 47 | 464 89 | 459 28 | 5,443 42 |
| 256 10 | 1 209 62 | 1,243 10 | 1,241 40 | 1,233 55 | 1,238 15 | 1,203 14 | 1,226 93 | 1,298 48 | 1,309 51 | 1,288 66 | 1,266 26 | 15,044.90 |
| | 39 35 | 48 87 | 10 49 | 10 40 | 10 38 | 4 87 | 13 67 | 38 91 | 181 61 | 33 05 | 46 47 | 438.07 |
| 1 20 | 9 53 | 10 08 | | | 50 | | | | | 24 50 | 113 16 | 158.97 |
| 847 45 | 900 82 | 1,075 34 | 165 73 | 118 65 | 12 26 | 23 99 | 319 18 | 1,011 96 | 1,097 28 | 1,017 85 | 1,219 91 | 7,810.42 |
| 992 72 | 973 77 | 1,375 00 | 55 77 | 122 59 | 20 40 | 25 87 | 332 02 | 989 42 | 1,085 05 | 992 55 | 1,201 56 | 8,166.72 |
| 185 55 | 1,159 90 | 1,214 32 | 822 87 | 642 18 | 531 07 | 807 58 | 822 41 | 1,221 48 | 1,020 26 | 1,138 71 | 1,149 71 | 11,716.04 |
| 470 65 | 1,546 92 | 1,809 19 | 467 83 | 385 59 | 233 00 | 251 00 | 696 18 | 1,712 25 | 1,835 44 | 1,731 98 | 2,035 14 | 14,175.17 |
| 29 75 | 27 30 | 40 25 | | | | | | | 43 18 | 70 19 | 88 77 | 299.40 |
| 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 900.00 |
| 18 89 | 10 88 | 1 18 | 38 57 | 23 10 | 1 58 | | 4 76 | 9 45 | 26 05 | | 16 15 | 150.51 |
| | | 17 88 | 179 93 | | 5 00 | | | | 3 93 | 6 42 | 6 42 | 219.58 |
| 302 31 | 276 93 | 300 51 | 292 65 | 257 28 | 288 72 | 292 65 | 296 58 | 289 65 | 323 96 | 353 46 | 332 47 | 3,607.17 |
| 659 72 | 6,703 60 | 7,679 89 | 3,777 72 | 3,308 28 | 2,838 46 | 3,114 12 | 4,213 61 | 7,120 81 | 7,476 73 | 7,197 26 | 8,040 30 | 68,130 51 |
| 954 16 | 2,488 40 | 2,695 25 | 2,401 19 | 2,426 20 | 2,420 91 | 2,417 66 | 2,368 47 | 2,443 05 | 2,440 06 | 2,596 81 | 2,633 34 | 29,115 90 |
| | | | | | | 17 50 | | | | | | 17 50 |
| 22 68 | 21 83 | 22 33 | 21 88 | 21 76 | 21 43 | 22 23 | 21 88 | 22 10 | 62 13 | 22 83 | 27 60 | 310 68 |
| 976 84 | 2,510 23 | 2,627 58 | 2 423 07 | 2,447 96 | 2,442 34 | 2,467 39 | 2,390 35 | 2,465 15 | 2,502 59 | 2,529 64 | 2,660 94 | 29,444 08 |
| 295 37 | 44 297 83 | 32,698 97 | 15,023 63 | 15,316 35 | 14,363 26 | 11,682 13 | 11,603 85 | 23,743 78 | 24 208 96 | 24,497 33 | 26,212 78 | 285,034 24 |
| 2 20 | 17 05 | 16 59 | 15 99 | 75 13 | 333 05 | 374 44 | 293 44 | 203 29 | 201 09 | 5 97 | 11 69 | 1,549 93 |
| 293 17 | 44,280 78 | 32,682 38 | 15,007 64 | 15,241 22 | 14,030 21 | 11,307 69 | 11,310 41 | 23,540 49 | 24 007 87 | 24,491 36 | 26,201.09 | 283,484 31 |

Account No. 51—Locomotives:

| | |
|---|---|
| 1914 | 93 |
| 1922 | 202 |

therefore, 1922 over 1914 would be 93% of 202, or 187.86.

Account No. 53—All steel freight cars:

| | |
|---|---|
| 1914 | 97 |
| 1922 | 156 |

therefore, 1922 over 1914 would be 97% of 156, or 151.32.

Account No. 54—All wood passenger cars:

| | |
|---|---|
| 1914 | 98 |
| 1922 | 160 |

therefore, 1922 over 1914 would be 98% of 160, or 156.80.

Account No. 57—All wood equipment:

| | |
|---|---|
| 1914 | 100 |
| 1922 | 175 |

therefore, 1922 over 1914 would be 175.

(Here follow statements marked side folio pages 294 and 295)

[fol. 296] The Saint Louis and O'Fallon Railway Company

## Oath

State of Missouri,
City of Saint Louis, ss:

Philip Marsh makes oath and says that he is the Auditor of the Saint Louis and O'Fallon Railway, that he has carefully examined each and all of the statements contained in the foregoing return; that all of the statements in said return were prepared under his direction from its records and are true and correct to the best of his knowledge and belief.

(Signature of affiant:) Philip Marsh, (Title:) Auditor.

Subscribed and sworn to before me, a notary public in and for the State and City above named, this 26th day of September 1924. A. E. Wright. My commission expires Apr. 26, 1925. (Notarial Seal.)

[fol. 297] O Exhibit A

The Saint Louis and O'Fallon Railway Company for the Year Ended December 31, 1923

Summary of Return

| | As reported by respondent | For use by the Commission |
|---|---|---|
| No. 1. Value of the railway property of the reporting carrier, held for and used in the service of transportation, (Exhibit B) | $1,818,952 31 | |
| No. 2. Six per cent of the value of the railway property held for and used in the service of transportation, as reported under No. 1 | 109,137 14 | |
| No. 3. The amount of Net railway operating income or deficit for the year, (Exhibit C) | 149,115 67 | |
| No. 4. The amount of Net railway operating income for the year (if any) in excess of six per cent of the value of railway property held for and used in the service of transportation | 39,978 53 | |
| No. 5. One-half of the excess, if any | 19,989 27 | |
| No. 6. In case of excess, amount and nature of remittance | | |

O Exhibit B-1

Saint Louis and O'Fallon Railway Co

Investment as of December 31, 1923, Based Upon I. C. C. Valuation of June 30, 1919, as

| I. & E. Account No. | Class | I. C. C. Report Inv. June 30, 1919 Prices June 30, 1914 New | Index No. 1923 over 1914 | I. C. C. V June 3 Increa 1923 |
|---|---|---|---|---|
| | I. Road: | | | |
| 1 | Engineering | $5,1803 00 | | 31 |
| 3 | Grading | 118,990 00 | 100 00 | 119 |
| 6 | Bridges, trestles and culverts | 24/492 00 | 146 02 | 35 |
| 8 | Ties | 43,331 00 | 146 02 | 63 |
| 9 | Rails | 67,531 00 | 146 02 | 98 |
| 10 | Other track material | 16,480 00 | 146 02 | 24 |
| 11 | Ballast | 19,468 00 | 100 00 | 19 |
| 12 | Track laying and surfacing | 35,490 00 | 228 00 | 80 |
| 13 | Right-of-way fences | 43 00 | 146 02 | |
| 15 | Crossings and signs | 1,155 00 | 146 02 | |
| 16 | Station and office buildings | 7,328 00 | 146 02 | 10 |
| 16 | Roadway buildings | 850 00 | 146 02 | |
| 19 | Water stations | 1,927 00 | 146 02 | |
| 20 | Shops and enginehouses | 37,492 00 | 146 02 | 54 |
| 26 | Telegraph and telephone lines | 3,238 00 | 146 02 | |
| 32 | Power distribution systems | 19 00 | 146 02 | |
| 33 | Power line poles and fixtures | 9 00 | 146 02 | |
| 37 | Roadway machines | 366 00 | 146 02 | |
| 38 | Roadway small tools | 100 00 | 146 02 | |
| 39 | Assessments for public improvements | | | |
| 44 | Shop machinery | 16,635 00 | 146 02 | 24 |
| | Total, 1 to 47 inclusive | 410,875 00 | | 60 |
| | II. Equipment: | | | |
| 51 | Steam locomotives | 56,329 00 | 208 32 | 11 |
| 53 | Freight train cars | 422,390 00 | 196 91 | 83 |
| 54 | Passenger train cars | 5,326 00 | 180 12 | |
| 57 | Work equipment | 2,132 00 | 201 00 | |
| 58 | Miscellaneous equipment | 684 00 | 146 02 | |
| | Total, 51 to 58 inclusive | 486,861 00 | | 9 |
| | III. General Expenditure: | | | |
| 71 | Organization expenses | | | |
| 72 | General Officers and clerks | | | |
| 73 | Law | 6,163 00 | | |
| 74 | Stationery and printing | | | |
| 75 | Taxes | | | |
| 77 | Other expenditures—General | | | |
| 76 | Interest during construction | 23,985 00 | | |
| | Total, 71 to 77, inclusive | 30,148 00 | | |
| | Grand Total, 1 to 77 inclusive | 927,884 00 | | 1,0 |

way Company

1919, at 1914 Prices Augmented by Added Percentages to Basis of 1923 Prices

| C. C. Valuation June 30, 1919 Increased to 1923 Basis | Additions as on B. V. Form 588 June 30, 1919 to Dec. 31, 1923 | Retirements as on B. V. Form 588 June 30, 1919 to Dec. 31, 1923 | Retirements June 30, 1919 to Dec. 31, 1923 Amended to 1923 Prices | Investment as of Dec. 31, 1923 |
|---|---|---|---|---|
| 21,690 00 | ..... | ..... | ..... | 21,690 00 |
| 118,990 00 | 680 35 | ..... | ..... | 119,670 35 |
| 35,763 00 | 5,177 62 | 755 70 | 1,103 47 | 39,837 15 |
| 63,272 00 | 2,276 27 | 84 61 | 123 55 | 65,424 72 |
| 98,809 00 | 4,033 39 | 1,577 44 | 2,303 38 | 100,339 01 |
| 24,210 00 | 2,890 37 | 738 73 | 1,078 69 | 25,991 68 |
| 19,468 00 | 38 85 | ..... | ..... | 19,506 85 |
| 80,917 00 | 2,769 58 | 195 76 | 446 33 | 83,240 25 |
| 63 00 | ..... | ..... | ..... | 63 00 |
| 1,687 00 | 17 42 | ..... | ..... | 1,704 42 |
| 10,700 00 | 997 68 | 35 00 | 51 11 | 11,646 57 |
| 1,241 00 | 460 88 | ..... | ..... | 1,701 88 |
| 2,814 00 | ..... | ..... | ..... | 2,814 00 |
| 54,746 00 | 3,645 49 | 51 56 | 75 29 | 58,316 20 |
| 4,743 00 | ..... | ..... | ..... | 4,743 00 |
| 28 00 | ..... | ..... | ..... | 28 00 |
| 13 00 | ..... | ..... | ..... | 13 00 |
| 534 00 | 1,824 19 | ..... | ..... | 2,358 19 |
| 146 00 | ..... | ..... | ..... | 146 00 |
| | 474 50 | ..... | ..... | 474 50 |
| 24,317 00 | 3,124 21 | ..... | ..... | 27,441 21 |
| 563,951 00 | 28,380 80 | 3,438 80 | 5,181 82 | 587,149 98 |
| 117,345 00 | 2,044 16 | 14,162 50 | 29,503 32 | 89,885 84 |
| | | (Salv 40,866 74) | (40,866 74) | |
| 831,728 00 | 190,884 88 | (Loss 41,983 12) | (82,668 96) | 899,077 18 |
| 10,126 00 | | | | 10,126 00 |
| 4,285 00 | 1,776 72 | 600 00 | 1,206 00 | 4,855 72 |
| | | (684 00) | (999 00) | |
| 999 00 | 4,775 13 | (2,643 08) | (2,643 08) | 2,132 05 |
| 964,483 00 | 199,480 89 | 100,939 44 | 157,887 10 | 1,006,076 79 |
| 8,459 00 | ..... | ..... | ..... | 8,459 00 |
| 37,363 00 | ..... | ..... | ..... | 37,363 00 |
| 45,822 00 | ..... | ..... | ..... | 45,822 00 |
| 1,874,256 00 | 227,861 69 | 104,378 24 | 163,068 92 | 1,639,048 77 |

O Exhibit B

The Saint Louis and O'Fallon Railway Company

Value of the Railway Property Held for and Used in the Service of Transportation by the Respondent for the Year Ended December 31, 1923

| Description of road | | | | Investment in road & equipment at close of year | |
|---|---|---|---|---|---|
| Name (a) | Miles of road (b) | Miles of yard track & siding (d) | Value of Ry. property as computed by respondent (e) | Acct. No. 701 (f) | Total (h) |
| St. Louis & O'Fallon Ry. Co. (a) | 8.94 | 11.66 | | $1,114,444.63 | $1,114,444.63 |
| Present value of road and equipment excluding land, (Exhibit B) | | | $1,639,048.77 | | |
| Land at value shown in inventory made by Bureau of Valuation of the Interstate Commerce Commission, June 30, 1917 | | | 50,556.25 | | |
| Cash | | | 66,223.59 | | |
| Material and supplies | | | 63,123.70 | | |
| Totals | 8.94 | 11.66 | $1,818,952.31 | $1,114,444.63 | $1,114,444.63 |

(Here follows statement marked side folio page 299.)

[fol. 300] O Exhibit B-2

Saint Louis and O'Fallon Railway Company

Explanation of Index Numbers Used for 1923 Over 1914

R. & E. Account Nos. 3 and 11

Index number of 100.00 used because it was considered that for these items, supporting data was insufficient to cause any increase for this period, also improved methods by use of equipment has kept costs about same level.

R. & E. Account Nos. 6, 8, 9, 10, 13, 15, 16, 17, 18, 20, 26, 32, 33, 37, 38, 44, and 58

Index number of 146.02 was based upon year 1922 of Bulletin No. 335, Wholesale Prices, 1890 to 1922, issued by Bureau of Labor Statistics of United States Department of Labor.

Page 9, Index numbers for all commodities shows

| | |
|---|---|
| 1913 | 100 |
| 1914 | 98 |
| 1922 | 149 |

therefore, 1923 over 1914 would be 98% of 149, or 146.02.

R. & E. Account No. 12

Index number of 228.00 was based upon Research Report No. 70—Wages, Hours and Employment of Railroad Workers, issued by National Industrial Conference Board.

Page 23, Index number for actual average hourly earnings shows

| | | |
|---|---|---|
| 1914-1915 | 100 | |
| 1st quarter, 1923 | 222 | Average 228.00 |
| 2nd " 1923 | 228 | |
| 3rd " 1923 | 232 | |
| 4th " 1923 | 230 | |

[fol. 301]

Saint

Net Railway Operating Income (or Deficit) as Stated in the Accounting

Name of

| Account (a) | | January (b) | February (c) | March (d) | A |
|---|---|---|---|---|---|
| | Credits | | | | |
| | Railway operating revenue: | | | | |
| 101 | Freight | 72,015 71 | 72,250 62 | 51,110 82 | 26 |
| 110 | Switching | 5 40 | 8 10 | 10 35 | |
| 111 | Special service train | 300 00 | 300 00 | 300 00 | |
| 137 | Demurrage | ..... | ..... | ..... | |
| 143 | Miscellaneous | ..... | ..... | 153 00 | |
| | Total operating revenue | 72,321 11 | 72,558 72 | 51,574 17 | 26 |
| | Equipment rents: | | | | |
| 503 | Freight Cars | 258 19 | 3,486 28 | ..... | |
| 504 | Locomotives | ..... | ..... | ..... | |
| | Total equipment rents | 258 19 | 3,486 28 | ..... | |
| 508 | Joint facility rent income | 90 00 | 90 00 | 90 00 | |
| | Total credits | 72,669 30 | 76,135 00 | 51,664 17 | 27 |
| | Debits | | | | |
| | Railway operating expenses | 26,995 08 | 26,044 64 | 30,029 68 | 29 |
| 532 | Railway tax accruals | 4,000 00 | 4,000 00 | 4,000 00 | |
| 533 | Uncollectible railway revenues | ..... | ..... | ..... | |
| | Equipment rents: | | | | |
| 536 | Freight cars | ..... | ..... | 3,299 70 | |
| 537 | Locomotives | ..... | ..... | ..... | |
| | Total equipment rents | ..... | ..... | 3,299 70 | |
| | Total debits | 30,995 08 | 30,044 64 | 37,329 38 | 3 |
| | Net railway operating income | 41,674 22 | 46,090 36 | 14,334 79 | |

*Deficit.

Saint Louis and O'Fallon Railway Company

As Stated in the Accounting Records of the Respondent for the Year Ended December 31, 1923, in Accordance with the Rules Prescribed in the Uniform System of Accounts

Name of Carrier: St. Louis & O'Fallon Railway Co.

| ruary (c) | March (d) | April (e) | May (f) | June (g) | July (h) | August (i) | September (j) | October (k) | November (l) | December (m) | Year 1923 (n) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 250 62 | 51,110 82 | 26,086 62 | 26,792 20 | 23,250 35 | 30,688 85 | 35,446 78 | 36,698 04 | 52,859 11 | 44,451 49 | 63,864 02 | **535,514.61** |
| 8 10 | 10 35 | 180 90 | 260 10 | 153 45 | 189 45 | 222 75 | 114 30 | 67 95 | 33 30 | 10 35 | 1,256.40 |
| 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 300 00 | 330 00 | 3,600.00 |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| ..... | 153 00 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 153.00 |
| 558 72 | 51,574 17 | 26,567 52 | 27,352 30 | 33,703 80 | 31,178 30 | 35,969 53 | 37,112.34 | 53,227 06 | 44,784.79 | 64,174 37 | 540,524.01 |
| 486 28 | ..... | 869 91 | 39 97 | 544 73 | 733 92 | 1,507 20 | 358 22 | 2,483 35 | 1,579 14 | 791 54 | 12,652.45 |
| ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 486 28 | ..... | 869 91 | 39 97 | 544 73 | 733 92 | 1,507 20 | 358 22 | 2,483 35 | 1,579 14 | 791 54 | 12,652.45 |
| 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 90 00 | 1,080.00 |
| 135 00 | 51,664.17 | 27,527 43 | 27,482 27 | 24,338 53 | 32,002 22 | 37,566 73 | 37,560 56 | 55,800 41 | 46,453 93 | 65,055 91 | 554,256.46 |
| 044 64 | 30,029 68 | 29,321 69 | 27,265 61 | 31,986 88 | 25,063 45 | 31,327 02 | 28,224 80 | 29,807 26 | 23,551 32 | 45,142 39 | 354,758.82 |
| 000 00 | 4,000 00 | 4,000 00 | 4,000 00 | 4,000 00 | 4,000 00 | 4,000 00 | 4,000 00 | 4,000 00 | 4,000 00 | 3,082 27 | 47,082.27 |
| ..... | 3,299 70 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 3,299.70 |
| ..... | 3,299 70 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 3,299.70 |
| 044 64 | 37,329 38 | 33,312 69 | 31,265 61 | 35,986 88 | 29,063 45 | 35,327 02 | 32,224 80 | 33,807 26 | 27,551 32 | 48,224 66 | 405,140.79 |
| 090 36 | 14,334 79 | 5,974 26* | 3,783 34* | 11,647.35* | 2,938 77 | 2,239 71 | 5,335.76 | 21,993 15 | 18,902 61 | 16,831 25 | 149,115.67 |

| | | January | February |
|---|---|---|---|
| | I. Maintenance of way and structures: | | |
| 1201 | Superintendence | 231.78 | 223.68 |
| 1202 | Maintaining roadway and track | 1,908.70 | 1,389.93 |
| 1203 | Maintaining track structures | 17.33 | 24.00 |
| 1204 | Maintaining ancillary structures | 421.89 | 122.86 |
| 1206 | Injuries to persons | 50.00 | 50.00 |
| 1207 | Other way and structure expense | 55.26 | 50.95 |
| | Total accounts Nos. 1201 to 1207 | 2,684.96 | 1,861.42 |
| 1209 | Maintaining joint tracks, yds. and other facilities, Cr. | 47.75 | 2.04 |
| | Total maintenance of way and structures | 2,637.21 | 1,859.38 |
| | II. Maintenance of equipment: | | |
| 1221 | Superintendence | 820.50 | 919.20 |
| 1222 | Repairs of machinery and other apparatus | 30.68 | 6.71 |
| 1224 | Locomotive repairs | 728.62 | 622.46 |
| 1225 | Locomotive depreciation and retirements | 264.57 | 264.57 |
| 1226 | Car repairs | 8,853.01 | 8,655.97 |
| 1227 | Car depreciation and retirements | 1,801.54 | 1,801.54 |
| 1231 | Work equipment depreciation and retirements | 5.17 | 5.17 |
| 1232 | Miscellaneous equipment repairs | 8.60 | 1.07 |
| 1233 | Miscellaneous equipment depreciation and retirements | 35.53 | 35.53 |
| 1234 | Injuries to persons | 50.00 | 50.00 |
| 1235 | Other equipment expenses | 40.53 | 65.53 |
| | Total accounts Nos. 1221 to 1235 | 12,638.75 | 12,427.75 |
| | III. Traffic: | | |
| 1251 | Traffic expenses | 380.67 | 402.33 |
| | IV. Transportation—Rail line: | | |
| 1261 | Superintendence and dispatching | 469.73 | 468.23 |
| 1262 | Station service | 1,345.35 | 1,290.09 |
| 1264 | Other yard employees | 47.41 | 31.83 |
| 1267 | Other yard expenses | 1.13 | 4.35 |
| 1270 | Train enginemen and motormen | 1,299.67 | 1,257.53 |
| 1271 | Fuel for train locomotives | 1,512.31 | 1,469.65 |
| 1273 | Other train locomotive supplies and expenses | 1,091.63 | 1,132.20 |
| 1274 | Trainmen | 2,142.60 | 2,084.76 |
| 1275 | Train supplies and expenses | 85.01 | 75.35 |
| 1276 | Injuries to persons | 75.00 | 75.00 |
| 1277 | Loss and damage | ..... | 31.39 |
| 1278 | Other casualty expenses | 6.42 | 7.57 |
| 1279 | Other rail transportation expenses | 296.58 | 297.93 |
| | Total accounts Nos. 1261 to 1279 | 8,372.84 | 8,225.88 |
| | VII. General: | | |
| 1291 | Administration | 2,942.86 | 2,597.58 |
| 1292 | Insurance—General | ..... | ..... |
| 1294 | Other general expenses | 22.75 | 531.72 |
| | Total accounts Nos. 1291 to 1294 | 2,965.61 | 3,129.30 |
| | Total of accounts Nos. 1201-1207, 1221-1235, 1251, 1261-1267, 1270-1279, 1285, 1288 and 1291-1294 | 27,042.83 | 26,046.68 |
| | Less joint facility credits | 47.75 | 2.04 |
| | Grand total—railway operating expenses | 26,995.08 | 26,044.64 |

O Exhibit C-1

Saint Louis and O'Fallon Railway Company

Statement of Operating Expenses by Months for Year 1923

| ry | February | March | April | May | June | July | August | September | October | November | December | Year 192 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 78 | 223 68 | 239 86 | 254 82 | 245 37 | 241 87 | 243 78 | 243 68 | 248 38 | 245 00 | 326 05 | 321 88 | 3,066 15 |
| 70 | 1,389 93 | 2,386 88 | 1,893 99 | 2,187 38 | 1,927 46 | 2,196 16 | 1,859 34 | 3,291 02 | 3,889 20 | 3,332 02 | 3,519 43 | 29,781 51 |
| 13 | 24 00 | 30 59 | 37 93 | 104 32 | 113 15 | 69 83 | 21 37 | 322 09 | 29 70 | 25 73 | 30 80 | 826 84 |
| 59 | 122 86 | 740 77 | 1,185 00 | 178 29 | 321 06 | 356 48 | 142 52 | 152 94 | 269 90 | 309 88 | 106 96 | 4,570 55 |
| 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 600 00 |
| 26 | 50 95 | 49 01 | 82 77 | 115 75 | 85 02 | 52 07 | 40 79 | 72 19 | 69 88 | 37 91 | 51 82 | 763 42 |
| 16 | 1,861 42 | 3,497 11 | 3,505 51 | 2,881 11 | 2,738 56 | 2,968 32 | 2,627 70 | 4,136 62 | 4,544 68 | 4,081 59 | 4,080 89 | 39,608 47 |
| 5 | 2 04 | 35 27 | 20 78 | 524 55 | 556 49 | 219 32 | 208 01 | 19 83 | 2 78 | 94 | 20 76 | 1,658 72 |
| 11 | 1,859 38 | 3,461 84 | 3,484 73 | 2,356 56 | 2,181 87 | 2,749 00 | 2,419 69 | 4,116 79 | 4,541 90 | 4,080 65 | 4,060 13 | 37,949 75 |
| 40 | 919 20 | 867 40 | 914 20 | 933 75 | 937 02 | 930 17 | 951 27 | 971 54 | 925 00 | 987 76 | 1,051 06 | 11,208 87 |
| 38 | 6 71 | 187 79 | 25 32 | 02 | 24 17 | 18 56 | 2 66 | | 12 85 | 3 10 | 122 95 | 434 81 |
| 12 | 622 46 | 713 56 | 657 16 | 750 65 | 5,663 46 | 918 15 | 5,517 43 | 4,736 62 | 4,699 03 | 718 73 | 3,172 80 | 28,898 67 |
| 7 | 264 57 | 2,484 32 | 251 72 | 251 72 | 251 72 | 251 72 | 251 72 | 251 72 | 251 72 | 156 03 | 156 03 | 5,087 56 |
| 1 | 8,655 97 | 9,308 93 | 11,134 60 | 11,146 51 | 11,032 77 | 8,293 98 | 10,226 64 | 6,267 11 | 6,605 57 | 3,164 51 | 6,428 83 | 101,318 43 |
| 4 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 1,801 54 | 21,618 48 |
| 7 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 5 17 | 62 04 |
| 0 | 1 07 | | 3 60 | 3 75 | 5 42 | 26 52 | 106 93 | | | | 4 55 | 160 44 |
| 3 | 35 53 | 35 53 | 35 53 | 35 53 | 35 53 | 35 53 | 35 53 | 35 53 | 35 53 | 35 53 | 35 53 | 426 36 |
| 0 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 50 00 | 600 00 |
| 3 | 65 53 | 40 53 | 13 28 | 21 42 | 21 20 | 21 20 | 21 20 | 21 20 | 21 20 | 24 80 | 21 20 | 333 29 |
| 3 | 12,427 75 | 15,694 77 | 14,892 12 | 15,000 08 | 19,828 00 | 12,352 54 | 18,970 09 | 14,140 43 | 14,407 61 | 6,947 17 | 12,849 66 | 170,148 95 |
| 7 | 402 33 | 306 01 | 406 21 | 428 40 | 404 84 | 436 89 | 406 35 | 394 21 | 423 25 | 590 34 | 477 27 | 5,146 77 |
| 3 | 468 23 | 473 24 | 475 52 | 472 36 | 498 10 | 477 88 | 475 54 | 501 62 | 472 87 | 486 77 | 517 18 | 5,787 04 |
| 5 | 1,290 09 | 1,302 98 | 1,320 22 | 1,310 04 | 1,330 99 | 1,333 41 | 1,319 03 | 1,338 55 | 1,342 09 | 1,336 09 | 1,410 70 | 15,988 45 |
| 1 | 31 83 | 31 86 | 27 94 | 36 63 | 46 63 | 32 66 | 40 38 | 45 29 | 25 17 | 34 89 | 39 43 | 439 52 |
| 3 | 4 35 | 1 37 | 1 36 | 8 29 | 35 | | 2 79 | 25 | | 13 96 | 41 51 | 75 36 |
| 7 | 1,257 53 | 1,103 27 | 758 51 | 484 90 | 481 42 | 494 06 | 515 19 | 538 67 | 724 61 | 708 61 | 710 79 | 9,080 03 |
| 1 | 1,469 65 | 1,396 97 | 876 89 | 567 75 | 545 82 | 473 46 | 488 98 | 573 49 | 655 98 | 667 03 | 682 24 | 9,780 57 |
| 3 | 1,132 20 | 1,214 50 | 1,147 30 | 1 115 08 | 1,202 96 | 1,135 03 | 1,147 96 | 1,107 03 | 1,301 14 | 1,233 51 | 1,198 11 | 14,024 45 |
| 0 | 2,084 76 | 1,853 34 | 1,357 16 | 961 43 | 944 27 | 970 33 | 1,017 66 | 1,011 96 | 1,308 86 | 1,287 11 | 1,300 71 | 16,240 19 |
| 1 | 75 35 | 84 23 | 86 46 | 42 23 | 35,42 | 35 87 | 36 90 | 45 75 | 64 85 | 58 20 | 58 11 | 708 38 |
| 0 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 75 00 | 900 00 |
| | 31 39 | 10 61 | 7 90 | 11 79 | | | | 9 28 | | | | 70 97 |
| 2 | 7 57 | 6 42 | 6 41 | 6 42 | 6 55 | 7 85 | 7 85 | 7 81 | 11 59 | 14 69 | 13 94 | 103 52 |
| 9 | 297 93 | 333 77 | 274 80 | 293 62 | 286 24 | 294 10 | 295 45 | 282 31 | 307 74 | 299 44 | 327 74 | 3,589 72 |
| 4 | 8,225 88 | 7,758 56 | 6,415 47 | 5,383 54 | 5,460 66 | 5,329 65 | 5,423 53 | 5,537 01 | 6,289 90 | 6,215 30 | 6,375 46 | 76,788 20 |
| 8 | 2,597 58 | 2,694 12 | 4,044 92 | 4,066 54 | 4,078 88 | 4,163 29 | 4,044 08 | 4,004 58 | 4,112 72 | 5,611 33 | 21,222 79 | 63,583 69 |
| | | | | | | | 17 50 | | | | | 17 50 |
| 5 | 531 72 | 23 98 | 78 24 | 30 51 | 31 63 | 32 08 | 45 78 | 31 78 | 31 88 | 106 53 | 157 08 | 1,123 96 |
| 3 | 3,129 30 | 2,718 10 | 4,123 16 | 4,097 05 | 4,110 51 | 4,195 37 | 4,107 36 | 4,036 36 | 4,144 60 | 5,717 86 | 21,379 87 | 64,725 15 |
| 3 | 26,046 68 | 30,064 95 | 29,342 47 | 27,790 16 | 32,542 57 | 16,282 77 | 31,535 03 | 28,244 63 | 29,910 04 | 23,552 26 | 45,163 15 | 356,417 54 |
| 5 | 2 04 | 35 27 | 20 78 | 524 55 | 556 69 | 219 32 | 208 01 | 19 83 | 2 78 | 94 | 20 76 | 1,658 72 |
| 4 | 26,044 64 | 30,029 68 | 29,321 69 | 27,265 61 | 31,985 88 | 2,063 45 | 31,327 02 | 28,224 80 | 29,097 26 | 23,551 32 | 45,142 39 | 354,758 82 |

R. & E. Account Nos. 51, 53, 54 and 57

Index numbers were based upon Index of Railway Equipment Prices, issued by Committee of President's Conference Committee of Federal Valuation.

Account No. 51—Locomotives:

| | |
|---|---|
| 1914 | 93 |
| 1923 | 224 |

therefore, 1923 over 1914 would be 93% of 224, or 208.32.

Account No. 53—All steel freight cars:

| | |
|---|---|
| 1914 | 97 |
| 1923 | 203 |

therefore, 1923 over 1914 would be 97% of 203, or 196.91.

Account No. 54—All wood passenger cars:

| | |
|---|---|
| 1914 | 98 |
| 1923 | 194 |

therefore, 1913 over 1914 would be 98% of 194, or 190.12.

Account No. 57—All wood equipment:

| | |
|---|---|
| 1914 | 100 |
| 1923 | 201 |

therefore, 1913 over 1914 would be 201.

(Here follow statements marked side folio pages 301 and 302)

[fol. 303] The Saint Louis and O'Fallon Railway Company

Oath

State of Missouri,
City of Saint Louis, ss:

Philip Marsh makes oath and says that he is the Auditor of the Saint Louis and O'Fallon Railway Company, that he has carefully examined each and all of the statements contained in the foregoing return; that all of the statements in said return were prepared under his direction from its records and are true and correct to the best of his knowledge and belief.

(Signature of affiant:) Philip Marsh, (Title:) Auditor.

Subscribed and sworn to before me, a Notary Public in and for the State and City above named, this 26th day of September, 1924. A. E. Wright. My commission expires Apr. 26, 1925. (Seal.)

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[fol. 304] Ex. 4

A Pamphlet of 234 Pages entitled "Bulletin of United States Bureau of Labor Statistics—No. 335, Wholesale Prices Series, Wholesale Prices 1890 to 1922" dated June 1923. The price indices 1890-1922 (100 representing 1913 prices) are set forth in a table on page 9 of this pamphlet, as follows:

All Commodities

| Year | Index number | Per cent of increase (+) or decrease (−) compared with preceding year |
|---|---|---|
| 1890 | 81 | |
| 1891 | 80 | − 1 |
| 1892 | 75 | − 6 |
| 1893 | 77 | + 3 |
| 1894 | 69 | − 10 |
| 1895 | 70 | + 1 |
| 1896 | 67 | + 4 |
| 1897 | 67 | (6) |
| 1898 | 70 | + 4 |
| 1899 | 75 | + 7 |
| 1900 | 81 | + 8 |
| 1901 | 79 | − 2 |
| 1902 | 84 | + 6 |
| 1903 | 86 | + 2 |
| 1904 | 86 | (6) |

| Year | Index number | Per cent of increase (+) or decrease (—) compared with preceding year |
|---|---|---|
| 1905 | 86 | (6) |
| 1906 | 89 | + 3 |
| 1907 | 94 | + 6 |
| 1908 | 90 | — 4 |
| 1909 | 97 | + 8 |
| 1910 | 101 | + 4 |
| 1911 | 93 | — 8 |
| 1912 | 97 | + 6 |
| 1913 | 100 | + 1 |
| 1914 | 98 | — 2 |
| 1915 | 101 | + 3 |
| 1916 | 127 | +26 |
| 1917 | 177 | +39 |
| 1918 | 194 | +10 |
| 1919 | 206 | + 6 |
| 1920 | 226 | +10 |
| 1921 | 147 | —35 |
| 1922 | 149 | + 1 |

(6) No change.

[fol. 305] The method of computing the index numbers above set forth is explained on pages 3 to 6 of said pamphlet, as follows:

## Method of Computing Index Numbers

The average price of each article in the year 1913 (selected as the base period in order to provide a convenient pre-war standard for measuring price changes) has been multiplied by the estimated quantity of that article marketed in the census year 1919. The products thus obtained have then been added to give the approximate value in exchange in 1913 of all the articles in each group and of the total list of commodities. Similar aggregates have been made for each other year since 1890 and for each month since January, 1913. The index number for each group and for all commodities for each year and for each month has then been obtained by comparing the aggregate for such year or month with the corresponding aggregate for 1913, taken as 100.

If, during the period under consideration, there had been no changes in the list of commodities included in the index numbers, the percentage changes in the cost of the different groups of commodities would be accurately measured by dividing the aggregates for the months and years specified by the corresponding aggregates for 1913. However, articles have been added or dropped from time to time as

circumstances demanded, while substitution of one article for another at a different price has been necessary in numerous instances. Therefore, in computing the index num- [fol. 306] bers for a series of years a method had to be adopted that would allow for variations in the number and kind of commodities. This method, which is identical in principle with that now being used by the bureau in its reports on retail prices and on wages, consists in computing two separate aggregates for any year or month in which a change occurs, the first aggregate being based on the list of articles before making additions, subtractions, or substitutions, and the second aggregate on the revised list of articles. In this way comparison between any two consecutive years or months is limited to aggregates made up of identical commodities.

The following statement relative to lumber in the group of building materials will serve to illustrate the method employed, it having been necessary in several instances to substitute other lumber price series in 1918 in place of the price series formerly carried.

TABLE 1.—Index Numbers Based on Aggregate Values of Lumber and Shingles, 1917, 1918, and 1919

| Commodity | Approximate value (000 omitted) | | | |
|---|---|---|---|---|
| | 1917 | 1918-A | 1918-B | 1919 |
| Douglas fir, No. 1, common | $70,279 | $80,793 | $80,793 | $112,520 |
| Douglas fir, No. 2 and better | 35,301 | 41,328 | 41,328 | 58,548 |
| Gum sap, firsts and seconds | 23,089 | 27,451 | 30,646 | 43,361 |
| Hemlock, northern No. 1 | 46,497 | 51,816 | 55,477 | 68,377 |
| Maple, hard, No. 1, common | 28,100 | 26,169 | 31,548 | 39,790 |
| Oak, white, plain, No. 1, common | 92,143 | 107,143 | 124,529 | 182,087 |
| Pine, white, No. 2, barn | 84,092 | 104,158 | 82,581 | 93,486 |
| Pine, yellow, flooring, B and better | 151,501 | 165,373 | 165,373 | 269,427 |
| Pine, yellow, timbers, square edge, sound | 170,982 | 209,867 | 209,867 | 245,393 |
| Poplar, No. 1, common | 12,513 | 16,654 | 18,436 | 21,771 |
| Spruce, eastern, random | 29,303 | 34,081 | 34,081 | 41,062 |
| Lath, yellow pine, No. 1, (substituted for spruce in 1918) | 13,203 | 13,370 | 9,486 | 15,585 |
| Shingles, cypress, 16 inches long | 4,792 | 6,412 | 6,412 | 7,138 |
| Shingles, red cedar, 16 inches long | 28,902 | 28,663 | 28,663 | 46,041 |
| Total | 791,297 | 913,278 | 919,220 | 1,224,586 |
| Index Numbers (1913 equals 100) | 134.62 | 155.38 | ..... | 210.38 |

[fol. 307] The index number for 1917, with 1913 as the base period, was found to be 134.62. Dividing the comparable aggregate for 1918 ($913,278) by the aggregate for 1917 ($791,297) we obtain 115.42. This figure is the index num-

ber for 1918 on the 1917 base. To convert it to the 1913 base we multiply 115.42 by 134.62, giving 155.38 as the index for 1918 on the 1913 base. This is rounded off to 155 when published. To obtain the index number for 1919 we first divide the aggregate for 1919 ($1,244,586) by the comparable aggregate for 1918 ($919,220), giving 135.40 as the index number for 1919 on the 1918 base. To convert this to the 1913 base we multiply 135.40 by 155.38 (the index number for 1918 on the 1913 base), which gives 210.38 as the index number for 1919 on the 1913 base. This is rounded off to 210 when published. Index numbers for all other groups and subgroups are found in the same manner in all cases where a change in the list of included articles has been made.

To ascertain the quantities of the various commodities marketed in 1919, every available source of information, official and private, was drawn upon. In the case of articles consumed to a large extent by the producer, as corn, oats, hay, etc., only the portion actually marketed, as near as could be determined, was taken. A similar plan was followed with regard to semi-manufactured articles, such as cotton and worsted yarns, pig iron, and steel billets, which often are carried into further processes of manufacture in [fol. 308] establishments where produced. The quantity of each article sold in the markets was ascertained as nearly as possible and used to weight the prices for the different years and months.

Not all of the commodity prices shown in the present bulletin have been used in constructing the index numbers. Several articles of minor importance, such as crackers and cornstarch, have been omitted because of their negligible influence upon price movements. A few articles of some importance, such as hammers, saws, and shovels, have been omitted because satisfactory weighting factors could not be obtained. In still other instances, such as brick, lumber, and structural steel, where more than one price series has been included in the bulletin, only those series believed to be most representative have been used in the index. Of the 454 series of quotations for 1921 and 1922 shown in the detailed tables of this bulletin, 404 series have been weighted and used in computing the index numbers.

## Commodities Included in the Present Bulletin

In the selection of commodities for inclusion in the bureau's reports on wholesale prices it has been the aim to choose only important and representative articles in each group. To this end, in addition to utilizing all available information from official sources, a careful inquiry was instituted in the principal market centers to determine which articles within the general class or group enter to the largest extent into exchange from year to year. Thus, eggs [fol. 309] classed as "firsts" are now quoted instead of the "new laid" grade at one time carried, since it has been ascertained that "firsts" are relatively more important in the market. In the case of butter and several other articles, the quotations have been enlarged in recent years by the addition of lower-priced grades that were found to constitute a considerable part of the volume of sales. In the case of commodities classed as chemicals or drugs, where a range of prices was found the lower quotations were selected because these quotations are believed to represent the prices of larger lots while the higher quotations represent the prices of smaller lots. The sources from which price quotations for the past two years have been drawn are as follows:

TABLE 2.—Sources of Price Quotations, 1921 and 1922

| Source | Farm products | Foods | Cloths and clothing | Fuel and lighting | Metals and metal products | Building materials | Chemicals and drugs | House-furnishing goods | Miscellaneous | All commodities |
|---|---|---|---|---|---|---|---|---|---|---|
| Standard trade journals | 46 | 80 | .. | 11 | 33 | 26 | 43 | .. | 18 | 257 |
| Manufacturers or sales agents | 4 | 19 | 64 | 9 | 19 | 17 | .. | 21 | 7 | 160 |
| Boards of trade, associations, etc | 1 | 6 | 6 | .. | .. | 8 | .. | 10 | .. | 31 |
| Federal or State bureaus | 5 | .. | .. | .. | 1 | .. | .. | .. | .. | 6 |
| Total | 56 | 105 | 70 | 20 | 53 | 51 | 43 | 31 | 25 | 454 |

So far as possible, the quotations for the various commodities have been secured in their primary markets. For example, the prices quoted for live stock and most animal products, as well as for grains, are for Chicago; wheat and flour prices are mainly for Kansas City and Minneapolis; [fol. 310] pig iron and steel prices are for Pittsburgh, etc. The prices used are, in all instances where this information could be obtained, based on first-hand transactions. Thus the cattle and other live-stock prices used are those paid by slaughterhouses to the commission man acting for the producer. Grain prices are those ruling on the floor of the exchange for grain shipped in by country elevators. Cotton and wool prices are for sales made to manufacturers. Cotton and woolen goods prices are in most instances those quoted by manufacturers to wholesalers, jobbers, and manufacturers of wearing apparel. Butter and egg prices are for consignments to the wholesale trade. Fluid milk prices are those to producers for milk delivered on city platform. Flour prices are those made by millers to large wholesale dealers, jobbers, and bakers. Leather prices are those from tanners to manufacturers. Coke prices are those to operators of blast furnaces. Pig iron prices are those to foundry operators and large steel makers. Steel prices are those to jobbers or large manufacturing consumers.

For commodities of great importance, more than one price series has been included in the present bulletin. In no case, however, is an article of a particular description represented by more than one series of quotations for the same market. For most articles weekly prices have been secured. In a large number of instances, particularly since the beginning of 1918, it has been possible to obtain average monthly prices from daily quotations. For those com- [fol. 311] modities whose prices are quite stable, such as certain textiles and building materials, only first-of-the-month prices have been taken. These details are summarized for 1921 and 1922 as follows:

TABLE 3.—Number of Commodities, or Series of Quotations, Classified as to Frequency, 1921 and 1922

| Frequency of quotation | Farm products | Foods | Cloths and clothing | Fuel and lighting | Metals and metal products | Building materials | Chemicals and drugs | House-furnishing goods | Miscellaneous | All commodities |
|---|---|---|---|---|---|---|---|---|---|---|
| Weekly | 47 | 89 | 1 | 11 | 32 | 16 | 43 | | 12 | 251 |
| Monthly | 6 | 14 | 15 | 4 | 12 | 14 | | 11 | 8 | 84 |
| Average for month | 3 | 2 | 54 | 5 | 9 | 21 | | 20 | 5 | 119 |
| Total | 56 | 105 | 70 | 20 | 53 | 51 | 43 | 31 | 25 | 454 |

It is obvious that in order to arrive at a strictly scientific average price for any period, one must know the precise quantity marketed and the price at which each unit of the quantity was sold. It is manifestly impossible to obtain such detail, and even if it were possible the labor and cost involved in such a compilation would be prohibitive. The method employed here, which is the one usually employed in computing average prices, is believed to yield results quite satisfactory for all practical purposes.

The balance of this exhibit contains statements of the wholesale price changes for various individual commodities and various groups of commodities during the period from 1890 to 1922 in the United States and foreign countries. On the hearing of the appeal either side or any party, or the Court, may consider the bulletin above described in whole or in part, but if either side or any party makes reference to any material not included in the foregoing, he shall print in his brief in full such part or parts as he desires the Court to consider.

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[fol. 312] Ex. 5

A pamphlet of 80 pages entitled "Wages, hours and employment of railroad workers" being Research Report Number 70 issued by National Industrial Conference Board, New York. On page 23 appears the following table from which certain index factors and Exhibits 1, 2 and 3 were derived:

TABLE 3.—Employment, Wages and Hours, Unskilled Labor, Class I Railroads

| | Average number employed | Average hourly earnings | | | Average weekly earnings | | | Average number hours per week per employee |
|---|---|---|---|---|---|---|---|---|
| | | Actual, cents | Index, actual | Index, "real" | Actual, dollars | Index, actual | Index, "real" | |
| Fiscal Year 1914-15 | 331,283 | 16.1 | 100 | 100 | $9.42 | 100 | 100 | 58.5 |
| Fiscal Year 1915-16 | 387,816 | 16.4 | 102 | 101 | 9.70 | 103 | 102 | 59.0 |
| Calendar Year 1916 | 393,817 | 17.3 | 107 | 98 | 10.37 | 110 | 101 | 59.8 |
| Calendar Year 1917 | 385,758 | 20.2 | 125 | 95 | 12.11 | 129 | 98 | 59.9 |
| Calendar Year 1918 | 410,864 | 30.4 | 189 | 120 | 17.63 | 187 | 118 | 58.0 |
| Calendar Year 1919 | 431,531 | 39.7 | 247 | 144 | 18.95 | 201 | 117 | 47.7 |
| 1st Quarter 1920 | 396,584 | 40.4 | 251 | 130 | 19.58 | 208 | 108 | 48.5 |
| 2nd Quarter 1920 | 434,267 | 47.4 | 294 | 147 | 24.30 | 258 | 129 | 51.2 |
| 3rd Quarter 1920 | 502,837 | 50.0 | 311 | 154 | 26.50 | 281 | 139 | 53.0 |
| 4th Quarter 1920 | 423,649 | 49.4 | 307 | 159 | 23.99 | 255 | 132 | 48.5 |
| 1st Quarter 1921 | 292,250 | 48.3 | 300 | 171 | 21.81 | 232 | 132 | 45.2 |
| nd Quarter 1921 | 301,956 | 47.1 | 293 | 177 | 22.05 | 234 | 142 | 46.8 |
| 3rd Quarter 1921 | 393,170 | 38.5 | 239 | 146 | 18.34 | 195 | 119 | 47.6 |
| 4th Quarter 1921 | 378,082 | 38.3 | 238 | 146 | 17.85 | 189 | 116 | 46.7 |
| 1st Quarter 1922 | 304,428 | 38.0 | 236 | 149 | 17.93 | 190 | 120 | 47.2 |
| 2nd Quarter 1922 | 371,500 | 37.9 | 235 | 152 | 18.21 | 193 | 125 | 48.1 |
| 3rd Quarter 1922 | 395,504 | 34.0 | 211 | 136 | 17.11 | 182 | 117 | 50.1 |
| 4th Quarter 1922 | 384,749 | 35.1 | 218 | 138 | 17.33 | 184 | 116 | 49.4 |
| 1st Quarter 1923 | 355,979 | 35.7 | 222 | 140 | 17.83 | 189 | 119 | 49.9 |
| 2nd Quarter 1923 | 425,864 | 36.7 | 228 | 143 | 18.58 | 197 | 123 | 50.7 |
| 3rd Quarter 1923 | 464,646 | 37.3 | 232 | 143 | 18.62 | 198 | 122 | 50.0 |
| 4th Quarter 1923 | 408,241 | 37.1 | 230 | 140 | 18.00 | 191 | 116 | 48.5 |
| 1st Quarter 1924 | 352,056 | 37.0 | 230 | 140 | 17.85 | 189 | 115 | 48.2 |

On page 3 of said pamphlet — the description of the sources from which the above data has been secured:

"All the data on the wages and hours of work of railroad workers presented herein have been derived from the published wage statistics of the Interstate Commerce Commission. Until 1920 these statistics were published annually; [fol. 313] during 1920 and the first half of 1921 they were published quarterly; and since July, 1921, they have been published monthly. Average weekly earnings and average hours per week have been determined by dividing the annual, quarterly, or monthly figures by the number of weeks in the period. For the period since July, 1921, the monthly figures have been averaged for quarters, principally to avoid unnecessary detail which would make it more difficult to follow trends.

"In computing the wages and hours of all classes of railroad employees, both straight time and overtime hours worked are included. In the various classes of train and engine service labor the so-called 'constructive allowances' are also included. Constructive allowances include the time spent in traveling under orders when no actual service is performed, which is called 'dead-heading' and is generally paid for on a mileage basis; the time spent in attending court, investigations, safety council meetings, etc., in the interests of the railroad; and certain allowances made by contract when employees on the extra lists are not called in turn, when employees are required to remain at away-from-home terminals beyond a specified length of time, etc. Certain of these items, such as attending court, etc., represent service rendered; 'dead-heading' under orders represents time for which it seems some compensation should be made; and other items represent no actual service rendered; but all are recognized as conditions peculiar to this kind of work. It has been thought desirable, therefore, to include all constructive allowances in the number of hours used as the basis of the computations of average weekly earnings and average hours per week of the train and engine service employees."

On the hearing of the appeal either side or any party, or the Court, may consider the bulletin above describe in whole or in part, but if either side or any party makes re- ence to any material not included in the foregoing, he sh print in his brief in full such part or parts as he desires th Court to consider.

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STATEMENT RE EX. 6 (WRIGHT)

A map entitled "Map of properties and railway terminals of Manufacturers' Railway operated by Manufacturers' Railway Company, corrected to May 15, 1923."

[Vol. 314]

Ex. 7 (H. Mabee)

Statement Showing Comparison of I. C. C. Prices of 1924 and Railway Companies' Prices, 1920, 1921, 1922, and 1923

Track Materials

| | I. C. C. | 1920 | | 1921 | | 1922 | | 1923 | |
|---|---|---|---|---|---|---|---|---|---|
| | Unit Cost | Bought | Index | Bought | Index | Bought | Index | Bought | Index |
| Cross ties, oak | 66 | 1 177 | 178 | 1 19 | 180 | 1 03 | 123 | | |
| Creosoted | 93 | | | | | 1 12 | 120 | 1 17 | 125 |
| Rail, 85 lb. Bessemer | 29 90 | 63 84 | 213 | | | 43 03 | 144 | 48 02 | 160 |
| Special guarded turnout | 396 | | | | | 750 | 205 | | |
| Split switches, 85 lb | 34 25 | 95 70 | 279 | 92 33 | 269 | | | 81 35 | 237 |
| Frogs, 85 lb | 27 25 | 78 85 | 289 | 92 22 | 338 | 65 92 | 241 | 69 33 | 254 |
| Guard rail, complete | 7 00 | 26 20 | 374 | 27 15 | 388 | | | 16 40 | 234 |
| Bolts | 2 23 | 6 60 | 296 | 5 15 | 230 | 4 00 | 179 | 5 20 | 233 |
| Spikes | 1 63 | 4 755 | 291 | 3 926 | 240 | 2 93 | 180 | 3 275 | 200 |
| Tie Plates | 1 61 | 4 00 | 248 | 2 75 | 170 | 2 00 | 124 | 3 35 | 208 |
| Angle bars | 1 58 | 2 63 | 166 | 2 06 | 130 | 1 535 | 97 | 1 577 | 100 |

[fol. 318] Ex. 8 (H. Marsh)—Continued

**Manufacturers Railway Company and Saint Louis and O'Fallon Railway Company**

**Material Bought 1920 to 1923**

**Manufacturers**

| | | | | |
|---|---|---|---|---|
| 1920 | 2,864 | White Oak Cross ties | Each | $1.155 |
| 1921 | 9,143 | " " " " | " | 1.19 |
| 1922 | 424 | " " " " | " | .917 |
| 1922 | 5,644 | Red Oak Creosoted Cross ties | " | 1.124 |
| 1923 | 6,862 | " " " " | " | 1.16 |

**O'Fallon**

| | | | | |
|---|---|---|---|---|
| 1920 | 2,807 | White Oak Cross ties | " | 1.20 |
| 1921 | 4,140 | " " " " | " | 1.18 |
| 1922 | 528 | " " " " | " | 1.14 |
| 1922 | 4,231 | Red Oak Creosoted Cross ties | " | 1.12 |
| 1923 | 6,711 | " " " " | " | 1.179 |

| | | | | |
|---|---|---|---|---|
| 1920 | 2 cars 85 lb. | Rail, Canadian section | Gross ton | 63.84 |
| 1922 | 1 car 85 " | " A.S.O.E. No. 2 | " " | 43.03 |
| 1923 | 2 cars 85 " | " " No. 1 | " " | 48.02 |

| | | | | |
|---|---|---|---|---|
| 1920 | 5,600 | Track bolts | Cwt. | 6.60 |
| 1921 | 8,000 | " " | " | 5.15 |
| 1922 | 15,200 | " " | " | 4.00 |
| 1923 | 600 | " " | " | 5.20 |
| 1923 | 12,000 | " " heat treated | " | 4.405 |

| | | | | |
|---|---|---|---|---|
| 1920 | 30,000 | Track spikes | " | 4.755 |
| 1921 | 45,000 | " " | " | 3.926 |
| 1922 | 32,000 | " " | " | 2.93 |
| 1923 | 53,000 | " " | " | 3.275 |

| | | | | |
|---|---|---|---|---|
| 1920 | 3 | 10' Split Switches complete, 85 lb. | Each | 95.70 |
| 1921 | 1 | 10' " " " 85 " | " | 93.55 |
| 1921 | 2 | 10' " " " 85 " | " | 91.70 |
| 1922 | 1 | Special guarded straight switch | " | 750.00 |
| 1922 | 3 | Standard No. 5 Switches and frog and guard rail | " | 173.80 |
| 1923 | 1 | 10' Split Switch, complete | " | 76.30 |
| 1923 | 1 | Split Switch, complete | " | 86.40 |

| | | | | |
|---|---|---|---|---|
| 1920 | 2 | Frogs—85 lb.—No. 5 | " | 78.85 |
| 1921 | 1 | " 85 " No. 10 | " | 105.60 |
| 1921 | 2 | " 85 " No. 5 | " | 78.85 |
| 1921 | 2 | " 85 " No. 5 | " | 77.30 |
| 1922 | 2 | " 85 " No. 10 | " | 77.15 |
| 1922 | 3 | " 85 " No. 5 | " | 58.85 |
| 1922 | 3 | " 85 " No. 6 | " | 61.75 |
| 1923 | 1 | " 85 " No. 5 | " | 58.85 |
| 1923 | 10 | " 85 " No. 5 | " | 64.00 |
| 1923 | 4 | " 85 " No. 6 | " | 67.00 |
| 1923 | 1 | " 85 " No. 7 | " | 73.80 |
| 1923 | 2 | " 85 " No. 9 | " | 79.00 |
| 1923 | 3 | " 85 " No. 7 | " | 73.80 |
| 1923 | 2 | " 85 " No. 9 | " | 79.00 |
| 1923 | 1 | " 85 " No. 5 | " | 64.00 |

Ex. 8 (H. Marsh)—*Continued*

[fol. 316]

| | | | | | | |
|---|---|---|---|---|---|---|
| 1920 | 4 guard rails | 11'—85 lb. and plates | | Each | $26 | 20 |
| 1921 | 2 " " | 11'—85 " " " | | " | 28 | 30 |
| 1921 | 4 " " | 11'—85 " " " | | " | 26 | 00 |
| 1923 | 2 " " | 11'—85 " " " | | " | 20 | 90 |
| 1923 | 10 " " | 11'—85 " " " | | " | 16 | 40 |
| 1923 | 12 " " | 11'—85 " " " | | " | 16 | 40 |
| 1923 | 3 " " | 11'—85 " " " | | " | 20 | 90 |
| 1920 | 100 pr. | Angle bars, 85 lb. | | Pair | 2 | 63 |
| 1921 | 200 pr. | " " 85 " | | " | 2 | 06 |
| 1922 | 500 pr. | " " 85 " | | " | 1 | 535 |
| 1922 | 74 pr. | " " 85 " | | " | 2 | 38 |
| 1923 | 200 pr. | " " 85 " | | " | 1 | 577 |
| 1920 | 1,000 | Tie plates | | Net Ton | 80 | 00 |
| 1921 | 2,000 | " " | | " " | 55 | 00 |
| 1922 | 3,000 | " " | | " " | 40 | 00 |
| 1923 | 4,500 | " " | | Cwt. | 3 | 35 |

[fol. 317] STATEMENTS RE EXHIBITS 9 TO 13, INC. (H. FLETCHER)

Ex. 9 (Fletcher)

Document of 18 pages, being the accounting report of the Manufacturers' Railway Company as of June 30, 1917, as reported by the Supervisor of Accounts of the Bureau of Valuation to the Acting Director of the Bureau of Valuation, dated February 28, 1923.

Ex. 10 (Fletcher)

Document of 16 pages, supplement to the accounting report on the Manufacturers' Railway Company (Ex. 9) extending same to December 31, 1920, as reported by the Accounting Section of the Commission's Bureau of Valuation.

Ex. 11 (Fletcher)

Document of 15 pages, supplement to accounting report on the Manufacturers' Railway Company (St. Louis) (Ex. 9), extending same to December 31, 1921, as prepared by Accounting Section of Commission's Bureau of Valuation.

Ex. 12 (Fletcher)

Document of 15 pages, supplement to accounting report on the Manufacturers' Railway Company (St. Louis) (Ex.

9), extending same to December 31, 1922, as prepared by the Accounting Section of the Commission's Bureau of Valuation.

[fol. 318] Ex. 13 (Fletcher)

Document of 16 pages, supplement to accounting report of the Manufacturers' Railway Company (St. Louis) (Ex. 9), extending same to December 31, 1923, prepared by the Accounting Section of the Commission's Bureau of Valuation.

The foregoing Exhibits Nos. 9 to 13, both inclusive, contain information relative to the Manufacturers' Railway Company similar in character and detail to the information contained in Exhibits 14 to 18, inclusive, with respect to the O'Fallon Railway Company.

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[fol. 319] Ex. (14) Fletcher

Memorandum to the Acting Director

May 12, 1923.

The report of the Accounting Section on the Saint Louis and O'Fallon Railway Company, prepared as of June 30, 1919, the date of valuation, is transmitted herewith.

——— ———, Supervisor of Accounts.

[fols. 320 & 321] Accounting Report on the Saint Louis and O'Fallon Railway Company as of June 30, 1919, the Date of Valuation

[fol. 322] Saint Louis and O'Fallon Railway Company (Saint Louis and O'Fallon)

Introductory

The Saint Louis and O'Fallon is a corporation of the State of Illinois, having its principal office at East St. Louis, Ill., and its general office at St. Louis, Mo.

The accounting records of the Saint Louis and O'Fallon for the period from June 1, 1896, the date of its incorpora-

tion to June 1, 1908, were not available. Therefore, full information cannot be given from its accounts regarding its financial dealings, corporate operations or investments.

The Saint Louis and O'Fallon is controlled by the Busch estate and by members of the Busch family, through ownership of its outstanding capital stock. On the other hand, the records reviewed do not indicate that the company, itself, controls any common-carrier corporations.

The property of this company has been operated by its own organization from date of completion of construction to date of valuation.

[fol. 323] The railroad owned by the Saint Louis and O'Fallon is a single track, standard gauge, steam railroad located in Illinois, aggregating 8.939 miles, and extends from East St. Louis to the St. Louis and O'Fallon Coal Company's mine No. 2.

[fol. 324] Corporate History

The Saint Louis and O'Fallon was incorporated June 1, 1896 under the general laws of Illinois. The date of organization was June 1, 1896.

Development of Fixed Physical Property

The owned mileage of the Saint Louis and O'Fallon was acquired by construction; the line having been completed by sections during the period from 1896 to May, 1900. It extends from East St. Louis, Ill., to the St. Louis and O'Fallon Coal Company's mine No. 2 in Illinois, a distance of 8.939 miles.

History of Corporate Financing

Syndicating, banking and other financial arrangements.—The records reviewed do not indicate that any syndicating arrangements were made in connection with the issuance of the securities of the Saint Louis and O'Fallon.

The company has issued its securities and incurred other indebtedness, under conditions and for considerations described in detail in the sections of this chapter devoted to capital stock and long-term debt.

Capital stock and long-term debt.—From the date of its incorporation, June 1, 1896, to date of valuation the Saint Louis and O'Fallon has issued stock and long-term debt, as indicated by its records, aggregating $1,261,000 par value, of which $769,000 is actually outstanding. The details are summarized in the following table:

| Class | Issued | Retired | Actually outstanding |
|---|---|---|---|
| Stock: | | | |
| Capital stock, par value: | | | |
| Common | $410,000 | | $410,000 |
| Long-term debt: | | | |
| Funded debt, par value: | | | |
| Issued | 851,000 | $492,000 | 359,000 |
| Total | 1,261,000 | 492,000 | 769,000 |

Capital stock.—The authorized capital stock of the Saint Louis and O'Fallon was $100,000 which was increased to $150,000 and further increased to $410,000 par value, divided into shares of $100 par value each and classified as common stock.

The considerations received for the original issue of $150,000 cannot be stated owing to missing records.

The additional issue of $260,000 was distributed as a stock dividend and charged to profit and loss account.

[fol. 325] Funded debt.—The Saint Louis and O'Fallon has issued and reacquired funded debt in exchange for the following recorded considerations:

| Par value | Consideration: Character | Consideration: Recorded value |
|---|---|---|
| Issued: | | |
| $175,000 | Cash | $175,000 |
| 125,000 | Short-term notes retired, par value | 125,000 |
| 251,000 | Equipment and interest, recorded value not ascertained, owing to missing records | ..... |
| 300,000 | Undetermined, owing to missing records | ..... |
| 851,000 | Total par value issued. | |

| | | |
|---|---|---|
| | Reacquired and retired: | |
| 492,000 | Cash ($12,050 in excess of par value) | 504,050 |
| | Reacquired: | |
| 15,000 | Cash ($3,000 less than par value) | 12,000 |
| 15,000 | Resold for cash at par | 15,000 |
| | Outstanding on date of valuation: | |
| 359,000 | | |

The disposition in the accounts of the difference between the par value of funded debt reacquired by the Saint Louis and O'Fallon and the recorded cost of reacquisition, being a net amount of $9,050, has not been ascertained from the records reviewed.

A statement of the funded debt actually outstanding follows:

| Title of security | Actually outstanding |
|---|---|
| First mortgage 5 per cent bonds, dated Oct. 1, 1902, due Oct. 1, 1927 | $59,000 |
| Second mortgage 6 per cent gold bonds, dated Sept. 1, 1908, due Sept. 1, 1928 | 300,000 |
| Total | 359,000 |

Short-term notes.—The Saint Louis and O'Fallon had outstanding on June 1, 1908, the date its available accounting records were opened, $256,000 par value of short-term notes. The considerations received in the issuance have not been ascertained. Subsequently, $125,000 par value of the notes were retired through the issuance of a like amount of second mortgage 6 per cent gold bonds. The remainder of the notes was liquidated prior to date of valuation, but the details regarding such retirements have not been obtained, owing to the incompleteness of the accounting records.

## Results of Corporate Operations

The results of corporate operations as shown in the income and profit and loss accounts of the Saint Louis and O'Fallon are given below.

**Income statement.**—A condensed summary of the income accounts for the year ended December 31, 1918, and for the period June 1, 1908, to date of valuation, follows.

[fol. 326] **Funded debt.**—The Saint Louis and O'Fallon has issued and reacquired funded debt in exchange for the following recorded considerations:

| Par value | Consideration: Character | Consideration: Recorded value |
|---|---|---|
| | Issued: | |
| $175,000 | Cash | $175,000 |
| 125,000 | Short-term notes retired, par value | 125,000 |
| 251,000 | Equipment and interest, recorded value not ascertained, owing to missing records | ..... |
| 300,000 | Undetermined, owing to missing records | ..... |
| 851,000 | Total par value issued. | |
| | Reacquired and retired: | |
| 492,000 | Cash ($12,050 in excess of par value) | 504,050 |
| | Reacquired: | |
| 15,000 | Cash ($3,000 less than par value) | 12,000 |
| 15,000 | Resold for cash at par | 15,000 |
| | Outstanding on date of valuation: | |
| 359,000 | | |

The disposition in the accounts of the difference between the par value of funded debt reacquired by the Saint Louis and O'Fallon and the recorded cost of reacquisition, being a net amount of $9,050, has not been ascertained from the records reviewed.

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|---|---|
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## Results of Corporate Operations

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Income statement.—A condensed summary of the income accounts for the year ended December 31, 1918, and for the period June 1, 1908, to date of valuation, follows.

[fol. 327] Operating income:

| | Year | Period |
|---|---|---|
| Railway operating revenues | $654,721.19 | $3,185,277.72 |
| Railway operating expenses | 311,634.77 | 1,519,276.29 |
| Net revenue from railway operations | 343,086.42 | 1,666,001.43 |
| Railway tax accruals | 78,000.00 | 253,168.29 |
| Uncollectible railway revenues | | 4.99 |
| Total operating income | 265,086.42 | 1,412,828.15 |

| | Year | Period |
|---|---|---|
| **Nonoperating income:** | | |
| Hire of equipment | 1,612.50 | 10,869.23 |
| Joint facility rent income | 1,080.00 | 10,800.00 |
| Miscellaneous rent income | | 276.50 |
| Income from funded securities | 2,637.62 | 5,193.89 |
| Income from unfunded securities and accounts | 999.83 | 32,367.52 |
| Total | 6,329.95 | 59,507.14 |
| Gross income | 271,416.37 | 1,472,335.29 |
| **Deductions from gross income:** | | |
| Hire of equipment | 12,105.91 | 67,243.75 |
| Miscellaneous tax accruals | | 90.00 |
| Interest on funded debt | 22,300.00 | 279,499.99 |
| Interest on unfunded debt | | 9,082.01 |
| Miscellaneous income charges | 1,569.65 | 9,646.24 |
| Total | 35,975.56 | 365,561.99 |
| Net income | 235,440.81 | 1,106,773.30 |
| **Disposition of net income:** | | |
| Appropriations to sinking and other reserves | 25,999.98 | 103,009.27 |
| Dividend appropriations of income | 82,000.00 | 191,000.00 |
| Appropriations for property | 13,055.39 | 51,879.81 |
| Total appropriations | 121,055.37 | 345,889.08 |
| Balance to credit of profit and loss | 114,385.44 | 760,884.22 |

Profit and loss statement.—A condensed summary of the profit and loss accounts for the period from June 1, 1908, to date of valuation, follows.

| | | |
|---|---|---|
| Credits: | | |
| Net credit balance transferred from income | | $760,884.22 |
| Miscellaneous credits, for which details were not ascertained, owing to the incompleteness of the records | | 60,632.62 |
| Total | | 821,516.84 |
| Debits: | | |
| Surplus applied to sinking and other reserve funds | | 170,000.00 |
| Dividend appropriations of surplus | | 329,000.00 |
| Surplus appropriated for investment in physical property | | 21,518.10 |
| Miscellaneous appropriations of surplus | | 38,316.81 |
| Loss on retired road and equipment | | 15,478.50 |
| Delayed income debits | | 6,813.01 |
| Miscellaneous debits | | 272,150.53 |
| Excess of current assets taken over, over current liabilities assumed, by the stockholders as of Sept. 12, 1913, at which time the stock was transferred by them to the Busch interests | $250,766.06 | |
| Current assets, including cash, taken over | $379,297.21 | |
| Current liabilities assumed | 128,531.15 | |
| Other debits for which details were not obtained, owing to the incompleteness of the records | 21,384.47 | |
| Total | | 853,276.95 |
| Debit balance on date of valuation | | 31,760.11 |

[fol. 328] Dividends.—The Saint Louis and O'Fallon has declared dividends aggregating $520,000 during the period

from 1911 to 1918, of which $191,000 was charged to income and $329,000 was charged to the profit and loss account. The records reviewed do not indicate that the dividends declared were payable otherwise than in cash, except that $260,000 was paid in capital stock of the company in 1917. The dividends declared were at the rate per annum noted below.

| Year | Rate (per cent) | |
|---|---|---|
| 1911-1913 (inclusive) | 10 | |
| 1915 | 8 | |
| 1916 | 16 | |
| 1917 | 10 | (on $150,000) |
| 1917 | 20 | (on $410,000) |
| 1917 | 173 | (stock) |
| 1918 | 20 | |

In addition to the above, it is pointed out that the stockholders of the Saint Louis and O'Fallon took over all of the company's current assets and assumed all of the current liabilities as of September 12, 1913, following which they transferred their stock holdings to the Busch interests. In recording this transaction, the Saint Louis and O'Fallon charged its profit and loss account with $250,766.06, representing the recorded value of current assets taken over, less the recorded amount of liabilities assumed, by the old stockholders.

[fol. 329] Investment in Road and Equipment

The investment of the Saint Louis and O'Fallon in road and equipment, including land, on date of valuation is stated in its books as $1,005,952.82 of which the following is a general analysis:

| | | |
|---|---|---|
| Opening entry in books opened as of June 1, 1908 | | $907,804 57 |
| Road | $439,869 57 | |
| Equipment | 467,935 00 | |
| For additions and betterments, less retirements, not separable | | 98,148 25 |
| Recorded money outlay | 98,148 25 | |
| Total recorded as of date of valuation | | 1,005,952 82 |

Opening entry.—The item of $907,804.57 in the above general analysis, representing the net charges in the opening entry made in the books opened on June 1, 1908, is an arbitrary amount based on the estimated inventory value of the property prepared by the company's civil engineer, as of that date. It does not, therefore, indicate what the investment was in the property owned on that date.

### Original Cost to Date

The original cost to date of the road and equipment, including land, owned by the Saint Louis and O'Fallon and used for common-carrier purposes have not been definitely ascertained. The road was constructed by its own organization, but the records prior to June 1, 1908, are not available.

For creating and improving the 8.939 miles of road, including land, and for additions and betterments to the property, the data obtained from the accounts of the Saint Louis and O'Fallon are as follows:

| | |
|---|---|
| Recorded money outlay | $98,148 25 |

Cost of lands.—The Saint Louis and O'Fallon reports amounts aggregating $36,702.45 as the outlays by itself in connection with lands owned or used by it.

The returns made by the company include certain lands for which nominal deed considerations only are reported.

The amount reported as costs for lands owned consists of $28,274.45 supported by accounting records and $8,428 covering substantial considerations named in deeds or other

instruments which it returned as costs, but which are not supported by accounting records.

These lands have been classified as carrier, owned and used, and are located in the State of Illinois.

Cost of machinery and equipment.—The Saint Louis and O'Fallon reports that it owns and uses 530 units of equipment, 7 roadway machines, and certain machinery, with costs aggregating $521,276.98.

After classifying the returns according to the classification herein of the property to which they apply, the returns are summarized as follows:

[fol. 330]

| Classification | Units | Costs supported by accounting records | Amounts estimated by the company or otherwise not supported by accounting records |
|---|---|---|---|
| **Machinery:** | | | |
| Roadway machines | 7 | $374 05 | $75 00 |
| Shop machinery | | 12,965 56 | 3,480 60 |
| Total | | 13,339 61 | 3,555 60 |
| **Equipment:** | | | |
| Steam locomotives | 5 | 74,636 42 | |
| Freight-train cars | 512 | 418,455 75 | 3,375 00 |
| Passenger-train cars | 7 | 2,122 00 | 3,100 00 |
| Work equipment | 5 | | 1,875 00 |
| Miscellaneous equipment | 1 | 817 60 | |
| Total | 530 | 496,031 77 | 8,350 00 |

## Investments in Other Companies

The investment of the Saint Louis and O'Fallon in securities of others on date of valuation is stated in its records as $89,200, representing the par value of United States Liberty Loan bonds which it acquired at par with cash. This company had acquired an additional $17,800 par value of such bonds at par with cash, which it has disposed of for cash at a loss of $768.38 prior to date of valuation.

## Aids, Gifts, Grants and Donations

The Saint Louis and O'Fallon has made no report of aids, gifts, grants and donations. An examination of the records does not indicate that any were received.

The report of the company upon the costs of its lands shows that certain lands were acquired by it through deeds that recite merely nominal considerations. Since the records do not indicate that any actual payment was made in the acquisition of these lands, they have been herein designated as apparent aids.

## Material and Supplies

The investment of the Saint Louis and O'Fallon in material and supplies on date of valuation is stated in its books as $96,195.87. No inventory was taken as of date of valuation, and a classification of the material cannot be stated.

## Leased Railway Property

Under lease agreement, dated January 19, 1903, terminating January 1, 1946, the Saint Louis and O'Fallon leased to the East St. Louis & Suburban Railway, an electric line, for joint use, 2.09 miles of its track extending from French Village to Fairview, Ill., at an annual rental of $1,080. One-half the cost of maintenance of the property is borne by the lessee.

[fol. 331] General Balance Sheet Statement as of Date of Valuation

### Asset Side

| | |
|---|---|
| **Investments:** | |
| Investment in road and equipment | $1,005,952 82 |
| Investments in bonds | 89,200 00 |
| **Total** | 1,095,152 82 |
| **Current assets:** | |
| Cash | 38,222 96 |
| Traffic and car-service balances receivable | 678 95 |
| Net balance receivable from agents and conductors | 1,432 00 |
| Miscellaneous accounts receivable | 5,111 89 |
| Material and supplies | 96,195 87 |
| Interest and dividends receivable | 777 23 |
| **Total** | 142,418 90 |

| | |
|---|---|
| **Unadjusted debits:** | |
| Other unadjusted debits | 30 50 |
| **Grand total** | 1,237,602 22 |

**Liability Side**

| | |
|---|---|
| **Stock:** | |
| Capital stock | 410,000 00 |
| **Long-term debt:** | |
| Funded debt unmatured | 359,000 00 |
| **Current liabilities:** | |
| Traffic and car-service balances payable | 50 11 |
| Miscellaneous accounts payable | 1,186 76 |
| Unmatured interest accrued | 6,737 49 |
| **Total** | 776,974 36 |
| **Unadjusted credits:** | |
| Tax liability | (Dr.) 1,333 85 |
| Insurance and casualty reserves | 2,959 65 |
| Accrued depreciation—equipment | 156,204 63 |
| Other unadjusted credits | 13,159 62 |
| **Total** | 170,990 05 |
| **Corporate surplus:** | |
| Additions to property through income and surplus | 73,397 91 |
| Funded debt retired through income and surplus | 241,000 00 |
| Sinking fund reserves | 7,000 01 |
| **Total** | 321,397 92 |
| Profit and loss debit balance | 31,760 11 |
| **Total** | 289,637 81 |
| **Grand total** | 1,237,602 22 |

[fol. 332] Detail of Individual Issues of Funded Debt

Equipment notes, car trust of 1905, including 4½ per cent interest, payable serially, dated June 14, 1905, due Aug. 1, 1906 to Feb. 1, 1914.

| Par value | Consideration: Character | Consideration: Recorded value |
|---|---|---|
| | Issued: | |
| $251,000 | Equipment and interest, recorded value not ascertained, owing to missing records. | |
| | Reacquired and retired: | |
| 251,000 | Cash | $251,000 |
| | Outstanding on date of valuation: | |
| | None. | |

First mortgage 5 per cent bonds, dated Oct. 1, 1902, due Oct. 1, 1927.

| | | |
|---|---|---|
| | Issued: | |
| 300,000 | Undetermined, owing to missing records. | |
| | Reacquired and retired: | |
| 241 | Cash ($12,050 in excess of par value) | 253,050 |
| | Outstanding on date of valuation: | |
| 59,000 | | |

Second mortgage 6 per cent gold bonds, dated Sept. 1, 1908, due Sept. 1, 1928.

| | | |
|---|---|---|
| | Issued: | |
| 175,000 | Cash | 175,000 |
| 125,000 | Short-term notes retired, par value | 125,000 |
| 300,000 | Total issued for considerations | 300,000 |
| | Reacquired: | |
| 15,000 | Cash ($3,000 less than par value) | 12,000 |

**Resold:**

15,000 Cash ..... 15,000

**Outstanding on date of valuation:**

300,000

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[fol. 333] STATEMENTS RE EXHIBITS 15 TO 18, INC. (FLETCHER)

E . 15 (Fletcher)

A document consisting of 15 sheets entitled, "Supplement to the accounting report on the St. Louis and O'Fallon Railway Company prepared as of June 30, 1919, the date of valuation, extending same to December 31, 1920," showing, among other things, that the investment of the St. Louis and O'Fallon in materials and supplies on December 31, 1920, is stated in its books as $84,912.27 and that the cash shown under the head "Current Assets" on the general balance sheet statement as of December 31, 1920, for the O'Fallon was $47,362.14. The balance of documents sufficiently summarized by witness in oral testimony.

Ex. 16 (Fletcher)

A document consisting of 13 sheets entitled, "Supplement to the accounting report on the St. Louis and O'Fallon Railway Company prepared as of June 30, 1919, date of valuation, extending same to December 31, 1921," showing, among other things, that the investment of the St. Louis and O'Fallon in materials and supplies on December 31, 1921, is stated in its books as $48,651.17, and that the cash shown under the head "Current Assets" on the general balance sheet statement as of December 31, 1921, for the O'Fallon was $77,176.93. The balance of documents sufficiently summarized by witness in oral testimony.

Ex. 17 (Fletcher)

A document consisting of 13 sheets entitled, "Supplement to the accounting report on the St. Louis and O'Fallon

Railway Company prepared as of June 30, 1919, the date of valuation, extending same to December 31, 1922," showing, among other things, that the investment of the St. Louis and O'Fallon in materials and supplies on December 31, 1922, is stated in its books as $42,180.07, and that the cash shown under the head "Current Assets" on the general balance sheet statement as of December 31, 1922, for the O'Fallon was $78,022.53. The balance of documents sufficiently summarized by witness in oral testimony.

[fol. 334] Ex. 18 (Fletcher)

A document consisting of 13 sheets entitled, "Supplement to the accounting report on the St. Louis and O'Fallon Railway Company prepared as of June 30, 1919, the date of valuation, extending same to December 31, 1923," showing among other things, that the investment of the St. Louis and O'Fallon in materials and supplies as of December 31, 1923, is stated in its books as $63,123.70, and that the cash shown under the head "Current Assets" on the general balance sheet statement as of December 31, 1923, for the O'Fallon was $66,223.59. The balance of documents sufficiently summarized by witness in oral testimony.

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Statement re Ex. 19 (Witt)

A document of 19 sheets, being the report of the Engineering Section upon the Manufactures' Railway Company (St. Louis) dated September 18, 1922, signed by Howard M. Jones, Supervising Engineer, containing a description of the property of the Railway Company and estimate of cost of reproduction new and less depreciation in detail by accounts such as engineering, grading, etc., with quantities as of June 30, 1917, and with prices supplied to such quantities as of June 30, 1914. The total cost of reproduction new for the Manufacturers' so reported is $963,972 and total cost of reproduction less depreciation so reported is $818,650.

Legend

Saint Louis And O'fallon Railway

Interstate Commerce Commission
Bureau of Valuation
Washington D.C.

MAP OF THE

# SAINT LOUIS AND O'FALLON RAILWAY

June 30, 1919.

R. & E. Account Nos. 51, 53, 54 and 57

Index numbers were based upon Index of Railway Equipment Prices, issued by Committee of President's Conference Committee of Federal Valuation.

Account No. 51—Locomotives:

| | |
|---|---|
| 1914 | 93 |
| 1923 | 224 |

therefore, 1923 over 1914 would be 93% of 224, or 208.32.

Account No. 53—All steel freight cars:

| | |
|---|---|
| 1914 | 97 |
| 1923 | 203 |

therefore, 1923 over 1914 would be 97% of 203, or 196.91.

Account No. 54—All wood passenger cars:

| | |
|---|---|
| 1914 | 98 |
| 1923 | 194 |

therefore, 1913 over 1914 would be 98% of 194, or 190.12.

Account No. 57—All wood equipment:

| | |
|---|---|
| 1914 | 100 |
| 1923 | 201 |

therefore, 1913 over 1914 would be 201.

(Here follow statements marked side folio pages 301 and 302)

[fol. 303] The Saint Louis and O'Fallon Railway Company

Oath

State of Missouri,
City of Saint Louis, ss:

Philip Marsh makes oath and says that he is the Auditor of the Saint Louis and O'Fallon Railway Company, that he has carefully examined each and all of the statements contained in the foregoing return; that all of the statements in said return were prepared under his direction from its records and are true and correct to the best of his knowledge and belief.

(Signature of affiant:) Philip Marsh, (Title:) Auditor.

Subscribed and sworn to before me, a Notary Public in and for the State and City above named, this 26th day of September, 1924. A. E. Wright. My commission expires Apr. 26, 1925. (Seal.)

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[fol. 304] Ex. 4

A Pamphlet of 234 Pages entitled "Bulletin of United States Bureau of Labor Statistics—No. 335, Wholesale Prices Series, Wholesale Prices 1890 to 1922" dated June 1923. The price indices 1890-1922 (100 representing 1913 prices) are set forth in a table on page 9 of this pamphlet, as follows:

All Commodities

| Year | Index number | Per cent of increase (+) or decrease (−) compared with preceding year |
|---|---|---|
| 1890 | 81 | |
| 1891 | 80 | − 1 |
| 1892 | 75 | − 6 |
| 1893 | 77 | + 3 |
| 1894 | 69 | −10 |
| 1895 | 70 | + 1 |
| 1896 | 67 | + 4 |
| 1897 | 67 | (6) |
| 1898 | 70 | + 4 |
| 1899 | 75 | + 7 |
| 1900 | 81 | + 8 |
| 1901 | 79 | − 2 |
| 1902 | 84 | + 6 |
| 1903 | 86 | + 2 |
| 1904 | 86 | (6) |

| Year | Index number | Per cent of increase (+) or decrease (—) compared with preceding year |
|---|---|---|
| 1905 | 86 | (6) |
| 1906 | 89 | + 3 |
| 1907 | 94 | + 6 |
| 1908 | 90 | — 4 |
| 1909 | 97 | + 8 |
| 1910 | 101 | + 4 |
| 1911 | 93 | — 8 |
| 1912 | 97 | + 6 |
| 1913 | 100 | + 1 |
| 1914 | 98 | — 2 |
| 1915 | 101 | + 3 |
| 1916 | 127 | +26 |
| 1917 | 177 | +39 |
| 1918 | 194 | +10 |
| 1919 | 206 | + 6 |
| 1920 | 226 | +10 |
| 1921 | 147 | —35 |
| 1922 | 149 | + 1 |

(6) No change.

[fol. 305] The method of computing the index numbers above set forth is explained on pages 3 to 6 of said pamphlet, as follows:

## Method of Computing Index Numbers

The average price of each article in the year 1913 (selected as the base period in order to provide a convenient pre-war standard for measuring price changes) has been multiplied by the estimated quantity of that article marketed in the census year 1919. The products thus obtained have then been added to give the approximate value in exchange in 1913 of all the articles in each group and of the total list of commodities. Similar aggregates have been made for each other year since 1890 and for each month since January, 1913. The index number for each group and for all commodities for each year and for each month has then been obtained by comparing the aggregate for such year or month with the corresponding aggregate for 1913, taken as 100.

If, during the period under consideration, there had been no changes in the list of commodities included in the index numbers, the percentage changes in the cost of the different groups of commodities would be accurately measured by dividing the aggregates for the months and years specified by the corresponding aggregates for 1913. However, articles have been added or dropped from time to time as

circumstances demanded, while substitution of one article for another at a different price has been necessary in numerous instances. Therefore, in computing the index num- [fol. 306] bers for a series of years a method had to be adopted that would allow for variations in the number and kind of commodities. This method, which is identical in principle with that now being used by the bureau in its reports on retail prices and on wages, consists in computing two separate aggregates for any year or month in which a change occurs, the first aggregate being based on the list of articles before making additions, subtractions, or substitutions, and the second aggregate on the revised list of articles. In this way comparison between any two consecutive years or months is limited to aggregates made up of identical commodities.

The following statement relative to lumber in the group of building materials will serve to illustrate the method employed, it having been necessary in several instances to substitute other lumber price series in 1918 in place of the price series formerly carried.

TABLE 1.—Index Numbers Based on Aggregate Values of Lumber and Shingles, 1917, 1918, and 1919

| Commodity | Approximate value (000 omitted) | | | |
|---|---|---|---|---|
| | 1917 | 1918-A | 1918-B | 1919 |
| Douglas fir, No. 1, common | $70,279 | $80,793 | $80,793 | $112,520 |
| Douglas fir, No. 2 and better | 35,301 | 41,328 | 41,328 | 58,548 |
| Gum sap, firsts and seconds | 23,089 | 27,451 | 30,646 | 43,361 |
| Hemlock, northern No. 1 | 46,497 | 51,816 | 55,477 | 68,377 |
| Maple, hard, No. 1, common | 28,100 | 26,169 | 31,548 | 39,790 |
| Oak, white, plain, No. 1, common | 92,143 | 107,143 | 124,529 | 182,087 |
| Pine, white, No. 2, barn | 84,692 | 104,158 | 82,581 | 93,486 |
| Pine, yellow, flooring, B and better | 151,501 | 165,373 | 165,373 | 269,427 |
| Pine, yellow, timbers, square edge, sound | 170,982 | 209,867 | 209,867 | 245,393 |
| Poplar, No. 1, common | 12,513 | 16,654 | 18,436 | 21,771 |
| Spruce, eastern, random | 29,303 | 34,081 | 34,081 | 41,062 |
| Lath, yellow pine, No. 1, (substituted for spruce in 1918) | 13,203 | 13,370 | 9,486 | 15,585 |
| Shingles, cypress, 16 inches long | 4,792 | 6,412 | 6,412 | 7,138 |
| Shingles, red cedar, 16 inches long | 28,902 | 28,663 | 28,663 | 46,041 |
| Total | 791,297 | 913,278 | 919,220 | 1,224,586 |
| Index Numbers (1913 equals 100) | 134.62 | 155.38 | ..... | 210.38 |

[fol. 307] The index number for 1917, with 1913 as the base period, was found to be 134.62. Dividing the comparable aggregate for 1918 ($913,278) by the aggregate for 1917 ($791,297) we obtain 115.42. This figure is the index num-

ber for 1918 on the 1917 base. To convert it to the 1913 base we multiply 115.42 by 134.62, giving 155.38 as the index for 1918 on the 1913 base. This is rounded off to 155 when published. To obtain the index number for 1919 we first divide the aggregate for 1919 ($1,244,586) by the comparable aggregate for 1918 ($919,220), giving 135.40 as the index number for 1919 on the 1918 base. To convert this to the 1913 base we multiply 135.40 by 155.38 (the index number for 1918 on the 1913 base), which gives 210.38 as the index number for 1919 on the 1913 base. This is rounded off to 210 when published. Index numbers for all other groups and subgroups are found in the same manner in all cases where a change in the list of included articles has been made.

To ascertain the quantities of the various commodities marketed in 1919, every available source of information, official and private, was drawn upon. In the case of articles consumed to a large extent by the producer, as corn, oats, hay, etc., only the portion actually marketed, as near as could be determined, was taken. A similar plan was followed with regard to semi-manufactured articles, such as cotton and worsted yarns, pig iron, and steel billets, which often are carried into further processes of manufacture in [fol. 308] establishments where produced. The quantity of each article sold in the markets was ascertained as nearly as possible and used to weight the prices for the different years and months.

Not all of the commodity prices shown in the present bulletin have been used in constructing the index numbers. Several articles of minor importance, such as crackers and cornstarch, have been omitted because of their negligible influence upon price movements. A few articles of some importance, such as hammers, saws, and shovels, have been omitted because satisfactory weighting factors could not be obtained. In still other instances, such as brick, lumber, and structural steel, where more than one price series has been included in the bulletin, only those series believed to be most representative have been used in the index. Of the 454 series of quotations for 1921 and 1922 shown in the detailed tables of this bulletin, 404 series have been weighted and used in computing the index numbers.

## Commodities Included in the Present Bulletin

In the selection of commodities for inclusion in the bureau's reports on wholesale prices it has been the aim to choose only important and representative articles in each group. To this end, in addition to utilizing all available information from official sources, a careful inquiry was instituted in the principal market centers to determine which articles within the general class or group enter to the largest extent into exchange from year to year. Thus, eggs [fol. 309] classed as "firsts" are now quoted instead of the "new laid" grade at one time carried, since it has been ascertained that "firsts" are relatively more important in the market. In the case of butter and several other articles, the quotations have been enlarged in recent years by the addition of lower-priced grades that were found to constitute a considerable part of the volume of sales. In the case of commodities classed as chemicals or drugs, where a range of prices was found the lower quotations were selected because these quotations are believed to represent the prices of larger lots while the higher quotations represent the prices of smaller lots. The sources from which price quotations for the past two years have been drawn are as follows:

TABLE 2.—Sources of Price Quotations, 1921 and 1922

| Source | Farm products | Foods | Cloths and clothing | Fuel and lighting | Metals and metal products | Building materials | Chemicals and drugs | House-furnishing goods | Miscellaneous | All commodities |
|---|---|---|---|---|---|---|---|---|---|---|
| Standard trade journals | 46 | 80 | .. | 11 | 33 | 26 | 43 | .. | 18 | 257 |
| Manufacturers or sales agents | 4 | 19 | 64 | 9 | 19 | 17 | .. | 21 | 7 | 160 |
| Boards of trade, associations, etc | 1 | 6 | 6 | .. | .. | 8 | .. | 10 | .. | 31 |
| Federal or State bureaus | 5 | .. | .. | .. | 1 | .. | .. | .. | .. | 6 |
| Total | 56 | 105 | 70 | 20 | 53 | 51 | 43 | 31 | 25 | 454 |

So far as possible, the quotations for the various commodities have been secured in their primary markets. For example, the prices quoted for live stock and most animal products, as well as for grains, are for Chicago; wheat and flour prices are mainly for Kansas City and Minneapolis; [fol. 310] pig iron and steel prices are for Pittsburgh, etc. The prices used are, in all instances where this information could be obtained, based on first-hand transactions. Thus the cattle and other live-stock prices used are those paid by slaughterhouses to the commission man acting for the producer. Grain prices are those ruling on the floor of the exchange for grain shipped in by country elevators. Cotton and wool prices are for sales made to manufacturers. Cotton and woolen goods prices are in most instances those quoted by manufacturers to wholesalers, jobbers, and manufacturers of wearing apparel. Butter and egg prices are for consignments to the wholesale trade. Fluid milk prices are those to producers for milk delivered on city platform. Flour prices are those made by millers to large wholesale dealers, jobbers, and bakers. Leather prices are those from tanners to manufacturers. Coke prices are those to operators of blast furnaces. Pig iron prices are those to foundry operators and large steel makers. Steel prices are those to jobbers or large manufacturing consumers.

For commodities of great importance, more than one price series has been included in the present bulletin. In no case, however, is an article of a particular description represented by more than one series of quotations for the same market. For most articles weekly prices have been secured. In a large number of instances, particularly since the beginning of 1918, it has been possible to obtain average monthly prices from daily quotations. For those com- [fol. 311] modities whose prices are quite stable, such as certain textiles and building materials, only first-of-the-month prices have been taken. These details are summarized for 1921 and 1922 as follows:

TABLE 3.—Number of Commodities, or Series of Quotations, Classified as to Frequency, 1921 and 1922

| Frequency of quotation | Farm products | Foods | Cloths and clothing | Fuel and lighting | Metals and metal products | Building materials | Chemicals and drugs | House-furnishing goods | Miscellaneous | All commodities |
|---|---|---|---|---|---|---|---|---|---|---|
| Weekly | 47 | 89 | 1 | 11 | 32 | 16 | 43 | .. | 12 | 251 |
| Monthly | 6 | 14 | 15 | 4 | 12 | 14 | .. | 11 | 8 | 84 |
| Average for month | 3 | 2 | 54 | 5 | 9 | 21 | .. | 20 | 5 | 119 |
| Total | 56 | 105 | 70 | 20 | 53 | 51 | 43 | 31 | 25 | 454 |

It is obvious that in order to arrive at a strictly scientific average price for any period, one must know the precise quantity marketed and the price at which each unit of the quantity was sold. It is manifestly impossible to obtain such detail, and even if it were possible the labor and cost involved in such a compilation would be prohibitive. The method employed here, which is the one usually employed in computing average prices, is believed to yield results quite satisfactory for all practical purposes.

The balance of this exhibit contains statements of the wholesale price changes for various individual commodities and various groups of commodities during the period from 1890 to 1922 in the United States and foreign countries. On the hearing of the appeal either side or any party, or the Court, may consider the bulletin above described in whole or in part, but if either side or any party makes reference to any material not included in the foregoing, he shall print in his brief in full such part or parts as he desires the Court to consider.

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[fol. 312] Ex. 5

A pamphlet of 80 pages entitled "Wages, hours and employment of railroad workers" being Research Report Number 70 issued by National Industrial Conference Board, New York. On page 23 appears the following table from which certain index factors and Exhibits 1, 2 and 3 were derived:

TABLE 3.—Employment, Wages and Hours, Unskilled Labor, Class I Railroads

| | Average number employed | Average hourly earnings | | | Average weekly earnings | | | Average number hours per week per employee |
|---|---|---|---|---|---|---|---|---|
| | | Actual, cents | Index, actual | Index, "real" | Actual, dollars | Index, actual | Index, "real" | |
| Fiscal Year 1914-15 | 331,283 | 16.1 | 100 | 100 | $9.42 | 100 | 100 | 58.5 |
| Fiscal Year 1915-16 | 387,816 | 16.4 | 102 | 101 | 9.70 | 103 | 102 | 59.0 |
| Calendar Year 1916 | 393,817 | 17.3 | 107 | 98 | 10.37 | 110 | 101 | 59.8 |
| Calendar Year 1917 | 385,758 | 20.2 | 125 | 95 | 12.11 | 129 | 98 | 59.9 |
| Calendar Year 1918 | 410,864 | 30.4 | 189 | 120 | 17.63 | 187 | 118 | 58.0 |
| Calendar Year 1919 | 431,531 | 39.7 | 247 | 144 | 18.95 | 201 | 117 | 47.7 |
| 1st Quarter 1920 | 396,584 | 40.4 | 251 | 130 | 19.58 | 208 | 108 | 48.5 |
| 2nd Quarter 1920 | 434,267 | 47.4 | 294 | 147 | 24.30 | 258 | 129 | 51.2 |
| 3rd Quarter 1920 | 502,837 | 50.0 | 311 | 154 | 26.50 | 281 | 139 | 53.0 |
| 4th Quarter 1920 | 423,649 | 49.4 | 307 | 159 | 23.99 | 255 | 132 | 48.5 |
| 1st Quarter 1921 | 292,250 | 48.3 | 300 | 171 | 21.81 | 232 | 132 | 45.2 |
| nd Quarter 1921 | 301,956 | 47.1 | 293 | 177 | 22.05 | 234 | 142 | 46.8 |
| 3rd Quarter 1921 | 393,170 | 38.5 | 239 | 146 | 18.34 | 195 | 119 | 47.6 |
| 4th Quarter 1921 | 378,082 | 38.3 | 238 | 146 | 17.85 | 189 | 116 | 46.7 |
| 1st Quarter 1922 | 394,428 | 38.0 | 236 | 149 | 17.93 | 190 | 120 | 47.2 |
| 2nd Quarter 1922 | 371,500 | 37.9 | 235 | 152 | 18.21 | 193 | 125 | 48.1 |
| 3rd Quarter 1922 | 345,504 | 34.0 | 211 | 136 | 17.11 | 182 | 117 | 50.1 |
| 4th Quarter 1922 | 384,749 | 35.1 | 218 | 138 | 17.33 | 184 | 116 | 49.4 |
| 1st Quarter 1923 | 355,979 | 35.7 | 222 | 140 | 17.83 | 189 | 119 | 49.9 |
| 2nd Quarter 1923 | 425,864 | 36.7 | 228 | 143 | 18.58 | 197 | 123 | 50.7 |
| 3rd Quarter 1923 | 464,646 | 37.3 | 232 | 143 | 18.62 | 198 | 122 | 50.0 |
| 4th Quarter 1923 | 408,241 | 37.1 | 230 | 140 | 18.00 | 191 | 116 | 48.5 |
| 1st Quarter 1924 | 352,056 | 37.0 | 230 | 140 | 17.85 | 189 | 115 | 48.2 |

On page 3 of said pamphlet — the description of the sources from which the above data has been secured:

"All the data on the wages and hours of work of railroad workers presented herein have been derived from the published wage statistics of the Interstate Commerce Commission. Until 1920 these statistics were published annually; [fol. 313] during 1920 and the first half of 1921 they were published quarterly; and since July, 1921, they have been published monthly. Average weekly earnings and average hours per week have been determined by dividing the annual, quarterly, or monthly figures by the number of weeks in the period. For the period since July, 1921, the monthly figures have been averaged for quarters, principally to avoid unnecessary detail which would make it more difficult to follow trends.

"In computing the wages and hours of all classes of railroad employees, both straight time and overtime hours worked are included. In the various classes of train and engine service labor the so-called 'constructive allowances' are also included. Constructive allowances include the time spent in traveling under orders when no actual service is performed, which is called 'dead-heading' and is generally paid for on a mileage basis; the time spent in attending court, investigations, safety council meetings, etc., in the interests of the railroad; and certain allowances made by contract when employees on the extra lists are not called in turn, when employees are required to remain at away-from-home terminals beyond a specified length of time, etc. Certain of these items, such as attending court, etc., represent service rendered; 'dead-heading' under orders represents time for which it seems some compensation should be made; and other items represent no actual service rendered; but all are recognized as conditions peculiar to this kind of work. It has been thought desirable, therefore, to include all constructive allowances in the number of hours used as the basis of the computations of average weekly earnings and average hours per week of the train and engine service employees."

On the hearing of the appeal either side or any party, or the Court, may consider the bulletin above describe in whole or in part, but if either side or any party makes reference to any material not included in the foregoing, he shall print in his brief in full such part or parts as he desires the Court to consider.

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STATEMENT RE EX. 6 (WRIGHT)

A map entitled "Map of properties and railway terminals of Manufacturers' Railway operated by Manufacturers' Railway Company, corrected to May 15, 1923."

[Col. 314]

Ex. 7 (H. Mann)

Statement Showing Comparison of I. C. C. Prices of 1924 and Railway Companies' Prices, 1920, 1921, 1922, and 1923

Track Materials

| | I. C. C. | 1920 | | 1921 | | 1922 | | 1923 | |
|---|---|---|---|---|---|---|---|---|---|
| | Unit Cost | Bought | Index | Bought | Index | Bought | Index | Bought | Index |
| Cross ties, oak | 66 | 1 177 | 178 | 1 19 | 180 | 1 03 | 123 | | |
| Creosoted | 93 | | | | | 1 12 | 120 | 1 17 | 125 |
| Rail, 85 lb. Bessemer | 29 90 | 63 84 | 213 | | | 43 03 | 144 | 48 02 | 160 |
| Special guarded turnout | 366 | | | | | 750 | 205 | | |
| Split switches, 85 lb. | 34 25 | 95 70 | 279 | 92 33 | 269 | | | 81 35 | 237 |
| Frogs, 85 lb. | 27 25 | 78 85 | 289 | 92 22 | 338 | 65 92 | 241 | 69 33 | 254 |
| Guard rail, complete | 7 00 | 26 20 | 374 | 27 15 | 388 | | | 16 40 | 234 |
| Bolts | 2 23 | 6 60 | 296 | 5 15 | 230 | 4 00 | 179 | 5 20 | 233 |
| Spikes | 1 63 | 4 735 | 291 | 3 926 | 240 | 2 93 | 180 | 3 275 | 200 |
| Tie Plates | 1 61 | 4 00 | 248 | 2 75 | 170 | 2 00 | 124 | 3 35 | 208 |
| Angle bars | 1 58 | 2 63 | 166 | 2 06 | 130 | 1 535 | 97 | 1 577 | 100 |

[fol. 318] Ex. 8 (H. Marsh)—Continued

Manufacturers Railway Company and Saint Louis and O'Fallon Railway Company

Material Bought 1920 to 1923

Manufacturers

| | | | | |
|---|---|---|---|---|
| 1920 | 2,864 | White Oak Cross ties | Each | $1 155 |
| 1921 | 9,143 | " " " " | " | 1 19 |
| 1922 | 424 | " " " " | " | 917 |
| 1922 | 5,644 | Red Oak Creosoted Cross ties | " | 1 124 |
| 1923 | 6,862 | " " " " " | " | 1 16 |

O'Fallon

| | | | | |
|---|---|---|---|---|
| 1920 | 2,807 | White Oak Cross ties | " | 1 20 |
| 1921 | 4,140 | " " " " | " | 1 18 |
| 1922 | 528 | " " " " | " | 1 14 |
| 1922 | 4,231 | Red Oak Creosoted Cross ties | " | 1 12 |
| 1923 | 6,711 | " " " " " | " | 1 179 |
| | | | | |
| 1920 | 2 cars 85 lb. | Rail, Canadian section | Gross ton | 63 84 |
| 1922 | 1 car 85 " | " A. S. O. E. No. 2 | " " | 43 03 |
| 1923 | 2 cars 85 " | " " No. 1 | " " | 48 02 |
| | | | | |
| 1920 | 5,600 | Track bolts | Cwt. | 6 60 |
| 1921 | 8,000 | " " | " | 5 15 |
| 1922 | 15,200 | " " | " | 4 00 |
| 1923 | 600 | " " | " | 5 20 |
| 1923 | 12,000 | " " heat treated | " | 4 405 |
| | | | | |
| 1920 | 30,000 | Track spikes | " | 4 755 |
| 1921 | 45,000 | " " | " | 3 926 |
| 1922 | 32,000 | " " | " | 2 93 |
| 1923 | 53,000 | " " | " | 3 275 |
| | | | | |
| 1920 | 3 | 10' Split Switches complete, 85 lb. | Each | 95 70 |
| 1921 | 1 | 10' " " " 85 " | " | 93 55 |
| 1921 | 2 | 10' " " " 85 " | " | 91 70 |
| 1922 | 1 | Special guarded straight switch | " | 750 00 |
| 1922 | 3 | Standard No. 5 Switches and frog and guard rail | " | 173 80 |
| 1923 | 1 | 10' Split Switch, complete | " | 76 30 |
| 1923 | 1 | Split Switch, complete | " | 86 40 |
| | | | | |
| 1920 | 2 | Frogs—85 lb. No. 5 | " | 78 85 |
| 1921 | 1 | " 85 " No. 10 | " | 105 60 |
| 1921 | 2 | " 85 " No. 5 | " | 78 85 |
| 1921 | 2 | " 85 " No. 5 | " | 77 30 |
| 1922 | 2 | " 85 " No. 10 | " | 77 15 |
| 1922 | 3 | " 85 " No. 5 | " | 58 85 |
| 1922 | 3 | " 85 " No. 6 | " | 61 75 |
| 1923 | 1 | " 85 " No. 5 | " | 58 85 |
| 1923 | 10 | " 85 " No. 5 | " | 64 00 |
| 1923 | 4 | " 85 " No. 6 | " | 67 00 |
| 1923 | 1 | " 85 " No. 7 | " | 73 80 |
| 1923 | 2 | " 85 " No. 9 | " | 79 00 |
| 1923 | 3 | " 85 " No. 7 | " | 73 80 |
| 1923 | 2 | " 85 " No. 9 | " | 79 00 |
| 1923 | 1 | " 85 " No. 5 | " | 64 00 |

Ex. 8 (H. Marsh)—*Continued*

[fol. 316]

| | | | | | |
|---|---|---|---|---|---|
| 1920 | 4 guard rails | 11'—85 lb. and plates | | Each | $26 20 |
| 1921 | 2 " " | 11'—85 " " " | | " | 28 30 |
| 1921 | 4 " " | 11'—85 " " " | | " | 26 00 |
| 1923 | 2 " " | 11'—85 " " " | | " | 20 90 |
| 1923 | 10 " " | 11'—85 " " " | | " | 16 40 |
| 1923 | 12 " " | 11'—85 " " " | | " | 16 40 |
| 1923 | 3 " " | 11'—85 " " " | | " | 20 90 |
| 1920 | 100 pr. | Angle bars, 85 lb. | | Pair | 2 63 |
| 1921 | 200 pr. | " " 85 " | | " | 2 06 |
| 1922 | 500 pr. | " " 85 " | | " | 1 535 |
| 1922 | 74 pr. | " " 85 " | | " | 2 38 |
| 1923 | 200 pr. | " " 85 " | | " | 1 577 |
| 1920 | 1,000 | Tie plates | | Net Ton | 80 00 |
| 1921 | 2,000 | " " | | " " | 55 00 |
| 1922 | 3,000 | " " | | " " | 40 00 |
| 1925 | 4,500 | " " | | Cwt. | 3 35 |

[fol. 317] STATEMENTS RE EXHIBITS 9 TO 13, INC. (H. FLETCHER)

Ex. 9 (Fletcher)

Document of 18 pages, being the accounting report of the Manufacturers' Railway Company as of June 30, 1917, as reported by the Supervisor of Accounts of the Bureau of Valuation to the Acting Director of the Bureau of Valuation, dated February 28, 1923.

Ex. 10 (Fletcher)

Document of 16 pages, supplement to the accounting report on the Manufacturers' Railway Company (Ex. 9) extending same to December 31, 1920, as reported by the Accounting Section of the Commission's Bureau of Valuation.

Ex. 11 (Fletcher)

Document of 15 pages, supplement to accounting report on the Manufacturers' Railway Company (St. Louis) (Ex. 9), extending same to December 31, 1921, as prepared by Accounting Section of Commission's Bureau of Valuation.

Ex. 12 (Fletcher)

Document of 15 pages, supplement to accounting report on the Manufacturers' Railway Company (St. Louis) (Ex.

9), extending same to December 31, 1922, as prepared by the Accounting Section of the Commission's Bureau of Valuation.

[fol. 318] Ex. 13 (Fletcher)

Document of 16 pages, supplement to accounting report of the Manufacturers' Railway Company (St. Louis) (Ex. 9), extending same to December 31, 1923, prepared by the Accounting Section of the Commission's Bureau of Valuation.

The foregoing Exhibits Nos. 9 to 13, both inclusive, contain information relative to the Manufacturers' Railway Company similar in character and detail to the information contained in Exhibits 14 to 18, inclusive, with respect to the O'Fallon Railway Company.

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[fol. 319] Ex. (14) Fletcher

Memorandum to the Acting Director

May 12, 1923.

The report of the Accounting Section on the Saint Louis and O'Fallon Railway Company, prepared as of June 30, 1919, the date of valuation, is transmitted herewith.

——— ———, Superviser of Accounts.

[fols. 320 & 321] Accounting Report on the Saint Louis and O'Fallon Railway Company as of June 30, 1919, the Date of Valuation

[fol. 322] Saint Louis and O'Fallon Railway Company (Saint Louis and O'Fallon)

Introductory

The Saint Louis and O'Fallon is a corporation of the State of Illinois, having its principal office at East St. Louis, Ill., and its general office at St. Louis, Mo.

The accounting records of the Saint Louis and O'Fallon for the period from June 1, 1896, the date of its incorpora-

tion to June 1, 1908, were not available. Therefore, full information cannot be given from its accounts regarding its financial dealings, corporate operations or investments.

The Saint Louis and O'Fallon is controlled by the Busch estate and by members of the Busch family, through ownership of its outstanding capital stock. On the other hand, the records reviewed do not indicate that the company, itself, controls any common-carrier corporations.

The property of this company has been operated by its own organization from date of completion of construction to date of valuation.

[fol. 323] The railroad owned by the Saint Louis and O'Fallon is a single track, standard gauge, steam railroad located in Illinois, aggregating 8.939 miles, and extends from East St. Louis to the St. Louis and O'Fallon Coal Company's mine No. 2.

[fol. 324] Corporate History

The Saint Louis and O'Fallon was incorporated June 1, 1896 under the general laws of Illinois. The date of organization was June 1, 1896.

Development of Fixed Physical Property

The owned mileage of the Saint Louis and O'Fallon was acquired by construction; the line having been completed by sections during the period from 1896 to May, 1900. It extends from East St. Louis, Ill., to the St. Louis and O'Fallon Coal Company's mine No. 2 in Illinois, a distance of 8.939 miles.

History of Corporate Financing

Syndicating, banking and other financial arrangements.—The records reviewed do not indicate that any syndicating arrangements were made in connection with the issuance of the securities of the Saint Louis and O'Fallon.

The company has issued its securities and incurred other indebtedness, under conditions and for considerations described in detail in the sections of this chapter devoted to capital stock and long-term debt.

Capital stock and long-term debt.—From the date of its incorporation, June 1, 1896, to date of valuation the Saint Louis and O'Fallon has issued stock and long-term debt, as indicated by its records, aggregating $1,261,000 par value, of which $769,000 is actually outstanding. The details are summarized in the following table:

| Class | Issued | Retired | Actually outstanding |
|---|---|---|---|
| Stock: | | | |
| Capital stock, par value: | | | |
| Common | $410,000 | | $410,000 |
| Long-term debt: | | | |
| Funded debt, par value: | | | |
| Issued | 851,000 | $492,000 | 359,000 |
| Total | 1,261,000 | 492,000 | 769,000 |

Capital stock.—The authorized capital stock of the Saint Louis and O'Fallon was $100,000 which was increased to $150,000 and further increased to $410,000 par value, divided into shares of $100 par value each and classified as common stock.

The considerations received for the original issue of $150,000 cannot be stated owing to missing records.

The additional issue of $260,000 was distributed as a stock dividend and charged to profit and loss account.

[fol. 325] Funded debt.—The Saint Louis and O'Fallon has issued and reacquired funded debt in exchange for the following recorded considerations:

| Par value | Consideration: Character | Consideration: Recorded value |
|---|---|---|
| Issued: | | |
| $175,000 | Cash | $175,000 |
| 125,000 | Short term notes retired, par value | 125,000 |
| 251,000 | Equipment and interest, recorded value not ascertained, owing to missing records | ..... |
| 300,000 | Undetermined, owing to missing records | ..... |
| 851,000 | Total par value issued. | |

| | | |
|---|---|---|
| | Reacquired and retired: | |
| 492,000 | Cash ($12,050 in excess of par value) | 504,050 |
| | Reacquired: | |
| 15,000 | Cash ($3,000 less than par value) | 12,000 |
| 15,000 | Resold for cash at par | 15,000 |
| | Outstanding on date of valuation: | |
| 359,000 | | |

The disposition in the accounts of the difference between the par value of funded debt reacquired by the Saint Louis and O'Fallon and the recorded cost of reacquisition, being a net amount of $9,050, has not been ascertained from the records reviewed.

A statement of the funded debt actually outstanding follows:

| Title of security | Actually outstanding |
|---|---|
| First mortgage 5 per cent bonds, dated Oct. 1, 1902, due Oct. 1, 1927 | $59,000 |
| Second mortgage 6 per cent gold bonds, dated Sept. 1, 1908, due Sept. 1, 1928 | 300,000 |
| Total | 359,000 |

Short term notes.—The Saint Louis and O'Fallon had outstanding on June 1, 1908, the date its available accounting records were opened, $256,000 par value of short-term notes. The considerations received in the issuance have not been ascertained. Subsequently, $125,000 par value of the notes were retired through the issuance of a like amount of second mortgage 6 per cent gold bonds. The remainder of the notes was liquidated prior to date of valuation, but the details regarding such retirements have not been obtained, owing to the incompleteness of the accounting records.

## Results of Corporate Operations

The results of corporate operations as shown in the income and profit and loss accounts of the Saint Louis and O'Fallon are given below.

**Income statement.**—A condensed summary of the income accounts for the year ended December 31, 1918, and for the period June 1, 1908, to date of valuation, follows.

[fol. 326] **Funded debt.**—The Saint Louis and O'Fallon has issued and reacquired funded debt in exchange for the following recorded considerations:

| | | Consideration | |
|---|---|---|---|
| Par value | | Character | Recorded value |
| | Issued: | | |
| $175,000 | Cash | | $175,000 |
| 125,000 | Short-term notes retired, par value | | 125,000 |
| 251,000 | Equipment and interest, recorded value not ascertained, owing to missing records | | |
| 300,000 | Undetermined, owing to missing records | | |
| 851,000 | Total par value issued. | | |
| | Reacquired and retired: | | |
| 492,000 | Cash ($12,050 in excess of par value) | | 504,050 |
| | Reacquired: | | |
| 15,000 | Cash ($3,000 less than par value) | | 12,000 |
| 15,000 | Resold for cash at par | | 15,000 |
| | Outstanding on date of valuation: | | |
| 359,000 | | | |

The disposition in the accounts of the difference between the par value of funded debt reacquired by the Saint Louis and O'Fallon and the recorded cost of reacquisition, being a net amount of $9,050, has not been ascertained from the records reviewed.

A statement of the funded debt actually outstanding follows:

| Title of security | Actually outstanding |
|---|---|
| First mortgage 5 per cent bonds, dated Oct. 1, 1902, due Oct. 1, 1927 | $ 59,000 |
| Second mortgage 6 per cent gold bonds, dated Sept. 1, 1908, due Sept. 1, 1928 | 300,000 |
| Total | 359,000 |

Short-term notes.—The Saint Louis and O'Fallon had outstanding on June 1, 1908, the date its available accounting records were opened, $256,000 par value of short-term notes. The considerations received in the issuance have not been ascertained. Subsequently, $125,000 par value of the notes were retired through the issuance of a like amount of second mortgage 6 per cent gold bonds. The remainder of the notes was liquidated prior to date of valuation, but the details regarding such retirements have not been obtained, owing to the incompleteness of the accounting records.

## Results of Corporate Operations

The results of corporate operations as shown in the income and profit and loss accounts of the Saint Louis and O'Fallon are given below.

Income statement.—A condensed summary of the income accounts for the year ended December 31, 1918, and for the period June 1, 1908, to date of valuation, follows.

[fol. 327] Operating income:

| | Year | Period |
|---|---|---|
| Railway operating revenues | $654,721 19 | $3,185,277 72 |
| Railway operating expenses | 311,634 77 | 1,519,276 29 |
| Net revenue from railway operations | 343,086 42 | 1,666,001 43 |
| Railway tax accruals | 78,000 00 | 253,168 29 |
| Uncollectible railway revenues | | 4 99 |
| Total operating income | 265,086 42 | 1,412,828 15 |

| | Year | Period |
|---|---|---|
| **Nonoperating income:** | | |
| Hire of equipment | 1,612.50 | 10,869.23 |
| Joint facility rent income | 1,080.00 | 10,800.00 |
| Miscellaneous rent income | | 276.50 |
| Income from funded securities | 2,637.62 | 5,193.89 |
| Income from unfunded securities and accounts | 999.83 | 32,367.52 |
| Total | 6,329.95 | 59,507.14 |
| Gross income | 271,416.37 | 1,472,335.29 |
| Deductions from gross income: | | |
| Hire of equipment | 12,105.91 | 67,243.75 |
| Miscellaneous tax accruals | | 90.00 |
| Interest on funded debt | 22,300.00 | 279,499.99 |
| Interest on unfunded debt | | 9,082.01 |
| Miscellaneous income charges | 1,569.65 | 9,646.24 |
| Total | 35,975.56 | 365,561.99 |
| Net income | 235,440.81 | 1,106,773.30 |
| Disposition of net income: | | |
| Appropriations to sinking and other reserves | 25,999.98 | 103,009.27 |
| Dividend appropriations of income | 82,000.00 | 191,000.00 |
| Appropriations for property | 13,055.39 | 51,879.81 |
| Total appropriations | 121,055.37 | 345,889.08 |
| Balance to credit of profit and loss | 114,385.44 | 760,884.22 |

Profit and loss statement.—A condensed summary of the profit and loss accounts for the period from June 1, 1908, to date of valuation, follows.

| | | |
|---|---|---|
| Credits: | | |
| Net credit balance transferred from income | | $760,884.22 |
| Miscellaneous credits, for which details were not ascertained, owing to the incompleteness of the records | | 60,632.62 |
| Total | | 821,516.84 |
| Debits: | | |
| Surplus applied to sinking and other reserve funds | | 170,000.00 |
| Dividend appropriations of surplus | | 329,000.00 |
| Surplus appropriated for investment in physical property | | 21,518.10 |
| Miscellaneous appropriations of surplus | | 38,316.81 |
| Loss on retired road and equipment | | 15,478.50 |
| Delayed income debits | | 6,813.01 |
| Miscellaneous debits | | 272,150.53 |
| Excess of current assets taken over, over current liabilities assumed, by the stockholders as of Sept. 12, 1913, at which time the stock was transferred by them to the Busch interests | $250,766.06 | |
| Current assets, including cash, taken over | $379,297.21 | |
| Current liabilities assumed | 128,531.15 | |
| Other debits for which details were not obtained, owing to the incompleteness of the records | 21,384.47 | |
| Total | | 853,276.95 |
| Debit balance on date of valuation | | 31,760.11 |

[fol. 328] Dividends.—The Saint Louis and O'Fallon has declared dividends aggregating $520,000 during the period

from 1911 to 1918, of which $191,000 was charged to income and $329,000 was charged to the profit and loss account. The records reviewed do not indicate that the dividends declared were payable otherwise than in cash, except that $260,000 was paid in capital stock of the company in 1917. The dividends declared were at the rate per annum noted below.

| Year | Rate (per cent) | |
|---|---|---|
| 1911-1913 (inclusive) | 10 | |
| 1915 | 8 | |
| 1916 | 16 | |
| 1917 | 10 | (on $150,000) |
| 1917 | 20 | (on $410,000) |
| 1917 | 173 | (stock) |
| 1918 | 20 | |

In addition to the above, it is pointed out that the stockholders of the Saint Louis and O'Fallon took over all of the company's current assets and assumed all of the current liabilities as of September 12, 1913, following which they transferred their stock holdings to the Busch interests. In recording this transaction, the Saint Louis and O'Fallon charged its profit and loss account with $250,766.06, representing the recorded value of current assets taken over, less the recorded amount of liabilities assumed, by the old stockholders.

[fol. 329] Investment in Road and Equipment

The investment of the Saint Louis and O'Fallon in road and equipment, including land, on date of valuation is stated in its books as $1,005,952.82 of which the following is a general analysis:

| | | |
|---|---|---|
| Opening entry in books opened as of June 1, 1908 | | $907,804 57 |
| Road | $439,869 57 | |
| Equipment | 467,935 00 | |
| For additions and betterments, less retirements, not separable | | 98,148 25 |
| Recorded money outlay | 98,148 25 | |
| Total recorded as of date of valuation | | 1,005,952 82 |

Opening entry.—The item of $907,804.57 in the above general analysis, representing the net charges in the opening entry made in the books opened on June 1, 1908, is an arbitrary amount based on the estimated inventory value of the property prepared by the company's civil engineer, as of that date. It does not, therefore, indicate what the investment was in the property owned on that date.

## Original Cost to Date

The original cost to date of the road and equipment, including land, owned by the Saint Louis and O'Fallon and used for common-carrier purposes have not been definitely ascertained. The road was constructed by its own organization, but the records prior to June 1, 1908, are not available.

For creating and improving the 8.939 miles of road, including land, and for additions and betterments to the property, the data obtained from the accounts of the Saint Louis and O'Fallon are as follows:

| | |
|---|---|
| Recorded money outlay | $98,148 25 |

Cost of lands.—The Saint Louis and O'Fallon reports amounts aggregating $36,702.45 as the outlays by itself in connection with lands owned or used by it.

The returns made by the company include certain lands for which nominal deed considerations only are reported.

The amount reported as costs for lands owned consists of $28,274.45 supported by accounting records and $8,428 covering substantial considerations named in deeds or other

instruments which it returned as costs, but which are not supported by accounting records.

These lands have been classified as carrier, owned and used, and are located in the State of Illinois.

Cost of machinery and equipment.—The Saint Louis and O'Fallon reports that it owns and uses 530 units of equipment, 7 roadway machines, and certain machinery, with costs aggregating $521,276.98.

After classifying the returns according to the classification herein of the property to which they apply, the returns are summarized as follows:

[fol. 330]

| Classification | Units | Costs supported by accounting records | Amounts estimated by the company or otherwise not supported by accounting records |
|---|---|---|---|
| Machinery: | | | |
| Roadway machines | 7 | $374 05 | $75 00 |
| Shop machinery | | 12,965 56 | 3,480 60 |
| Total | | 13,339 61 | 3,555 60 |
| Equipment: | | | |
| Steam locomotives | 5 | 74,636 42 | .. |
| Freight-train cars | 512 | 418,455 75 | 3,375 00 |
| Passenger-train cars | 7 | 2,122 00 | 3,100 00 |
| Work equipment | 5 | .. | 1,875 00 |
| Miscellaneous equipment | 1 | 817 60 | .. |
| Total | 530 | 496,031 77 | 8,350 00 |

## Investments in Other Companies

The investment of the Saint Louis and O'Fallon in securities of others on date of valuation is stated in its records as $89,200, representing the par value of United States Liberty Loan bonds which it acquired at par with cash. This company had acquired an additional $17,800 par value of such bonds at par with cash, which it has disposed of for cash at a loss of $768.38 prior to date of valuation.

## Aids, Gifts, Grants and Donations

The Saint Louis and O'Fallon has made no report of aids, gifts, grants and donations. An examination of the records does not indicate that any were received.

The report of the company upon the costs of its lands shows that certain lands were acquired by it through deeds that recite merely nominal considerations. Since the records do not indicate that any actual payment was made in the acquisition of these lands, they have been herein designated as apparent aids.

## Material and Supplies

The investment of the Saint Louis and O'Fallon in material and supplies on date of valuation is stated in its books as $96,195.87. No inventory was taken as of date of valuation, and a classification of the material cannot be stated.

## Leased Railway Property

Under lease agreement, dated January 19, 1903, terminating January 1, 1946, the Saint Louis and O'Fallon leased to the East St. Louis & Suburban Railway, an electric line, for joint use, 2.09 miles of its track extending from French Village to Fairview, Ill., at an annual rental of $1,080. One-half the cost of maintenance of the property is borne by the lessee.

[fol. 331] General Balance Sheet Statement as of Date of Valuation

### Asset Side

| | |
|---|---|
| Investments: | |
| Investment in road and equipment | $1,005,952 82 |
| Investments in bonds | 89,200 00 |
| Total | 1,095,152 82 |
| Current assets: | |
| Cash | 38,222 96 |
| Traffic and car-service balances receivable | 678 95 |
| Net balance receivable from agents and conductors | 1,432 00 |
| Miscellaneous accounts receivable | 5,111 89 |
| Material and supplies | 96,195 87 |
| Interest and dividends receivable | 777 23 |
| Total | 142,418 90 |

| | |
|---|---|
| Unadjusted debits: | |
| Other unadjusted debits | 30 50 |
| Grand total | 1,237,602 22 |

Liability Side

| | |
|---|---|
| Stock: | |
| Capital stock | 410,000 00 |
| Long-term debt: | |
| Funded debt unmatured | 359,000 00 |
| Current liabilities: | |
| Traffic and car-service balances payable | 50 11 |
| Miscellaneous accounts payable | 1,186 76 |
| Unmatured interest accrued | 6,737 49 |
| Total | 776,974 36 |
| Unadjusted credits: | |
| Tax liability | (Dr.) 1,333 85 |
| Insurance and casualty reserves | 2,959 65 |
| Accrued depreciation—equipment | 156,204 63 |
| Other unadjusted credits | 13,159 62 |
| Total | 170,990 05 |
| Corporate surplus: | |
| Additions to property through income and surplus | 73,397 91 |
| Funded debt retired through income and surplus | 241,000 00 |
| Sinking fund reserves | 7,000 01 |
| Total | 321,397 92 |
| Profit and loss debit balance | 31,760 11 |
| Total | 289,637 81 |
| Grand total | 1,237,602 22 |

[fol. 332] Detail of Individual Issues of Funded Debt

Equipment notes, car trust of 1905, including 4½ per cent interest, payable serially, dated June 14, 1905, due Aug. 1, 1906 to Feb. 1, 1914.

| Par value | Consideration: Character | Consideration: Recorded value |
|---|---|---|
| | Issued: | |
| $251,000 | Equipment and interest, recorded value not ascertained, owing to missing records. | |
| | Reacquired and retired: | |
| 251,000 | Cash | $251,000 |
| | Outstanding on date of valuation: | |
| | None. | |

First mortgage 5 per cent bonds, dated Oct. 1, 1902, due Oct. 1, 1927.

| | | |
|---|---|---|
| | Issued: | |
| 300,000 | Undetermined, owing to missing records. | |
| | Reacquired and retired: | |
| 241 | Cash ($12,050 in excess of par value) | 253,050 |
| | Outstanding on date of valuation: | |
| 59,000 | | |

Second mortgage 6 per cent gold bonds, dated Sept. 1, 1908, due Sept. 1, 1928.

| | | |
|---|---|---|
| | Issued: | |
| 175,000 | Cash | 175,000 |
| 125,000 | Short term notes retired, par value | 125,000 |
| 300,000 | Total issued for considerations | 300,000 |
| | Reacquired: | |
| 15,000 | Cash ($3,000 less than par value) | 12,000 |

**Resold:**

15,000 Cash . . . . . 15,000

**Outstanding on date of valuation:**

300,000

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[fol. 333] STATEMENTS RE EXHIBITS 15 TO 18, INC. (FLETCHER)

E . 15 (Fletcher)

A document consisting of 15 sheets entitled, "Supplement to the accounting report on the St. Louis and O'Fallon Railway Company prepared as of June 30, 1919, the date of valuation, extending same to December 31, 1920," showing, among other things, that the investment of the St. Louis and O'Fallon in materials and supplies on December 31, 1920, is stated in its books as $84,912.27 and that the cash shown under the head "Current Assets" on the general balance sheet statement as of December 31, 1920, for the O'Fallon was $47,362.14. The balance of documents sufficiently summarized by witness in oral testimony.

Ex. 16 (Fletcher)

A document consisting of 13 sheets entitled, "Supplement to the accounting report on the St. Louis and O'Fallon Railway Company prepared as of June 30, 1919, date of valuation, extending same to December 31, 1921," showing, among other things, that the investment of the St. Louis and O'Fallon in materials and supplies on December 31, 1921, is stated in its books as $48,651.17, and that the cash shown under the head "Current Assets" on the general balance sheet statement as of December 31, 1921, for the O'Fallon was $77,176.93. The balance of documents sufficiently summarized by witness in oral testimony.

Ex. 17 (Fletcher)

A document consisting of 13 sheets entitled, "Supplement to the accounting report on the St. Louis and O'Fallon

Railway Company prepared as of June 30, 1919, the date of valuation, extending same to December 31, 1922," showing, among other things, that the investment of the St. Louis and O'Fallon in materials and supplies on December 31, 1922, is stated in its books as $42,180.07, and that the cash shown under the head "Current Assets" on the general balance sheet statement as of December 31, 1922, for the O'Fallon was $78,022.53. The balance of documents sufficiently summarized by witness in oral testimony.

[fol. 334] Ex. 18 (Fletcher)

A document consisting of 13 sheets entitled, "Supplement to the accounting report on the St. Louis and O'Fallon Railway Company prepared as of June 30, 1919, the date of valuation, extending same to December 31, 1923," showing among other things, that the investment of the St. Louis and O'Fallon in materials and supplies as of December 31, 1923, is stated in its books as $63,123.70, and that the cash shown under the head "Current Assets" on the general balance sheet statement as of December 31, 1923, for the O'Fallon was $66,223.59. The balance of documents sufficiently summarized by witness in oral testimony.

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Statement re Ex. 19 (Witt)

A document of 19 sheets, being the report of the Engineering Section upon the Manufactures' Railway Company (St. Louis) dated September 18, 1922, signed by Howard M. Jones, Supervising Engineer, containing a description of the property of the Railway Company and estimate of cost of reproduction new and less depreciation in detail by accounts such as engineering, grading, etc., with quantities as of June 30, 1917, and with prices supplied to such quantities as of June 30, 1914. The total cost of reproduction new for the Manufacturers' so reported is $963,972 and total cost of reproduction less depreciation so reported is $818,650.

EAST ST LOUIS
French Village
Fairview
St Louis & O'Fallon Coal Co
Mine No 2
Mine No 1
STATE
STREET
ILLINOIS

Saint Louis And O'Fallon Railway

Interstate Commerce Commission
Bureau of Valuation
Washington D.C.
MAP OF THE

# SAINT LOUIS AND O'FALLON RAILWAY

June 30, 1919

338

[fol. 335] Ex. 20 (Witt)

Interstate Commerce Commission, Bureau of Valuation

Engineering Report upon Saint Louis and O'Fallon Railway Company

Washington, D. C., May 14, 1923.

Honorable C. F. Staples, Acting Director, Bureau of Valuation, Interstate Commerce Commission, Washington, D. C.

Dear Sir: I herewith transmit the report of the engineering section upon the Saint Louis and O'Fallon Railway Company.

Very respectfully, Howard M. Jones, Supervising Engineer.

[fol. 336 & 337] Interstate Commerce Commission, Bureau of Valuation

Engineering Report upon Saint Louis and O'Fallon Railway Company Showing Cost of Reproduction New and Cost of Reproduction Less Depreciation

Inventory as of June 30, 1919. Prices as of June 30, 1914

(Here follows map of Saint Louis and O'Fallon Railway, marked side folio 338)

[fol. 339] Explanatory Text

Saint Louis and O'Fallon Railway Company

1. Description of Road

The Saint Louis and O'Fallon Railway Company was incorporated June 1, 1896, under the general laws of the State of Illinois.

This carrier owns and operates a single track, standard gauge railroad within the State of Illinois, extending from East St. Louis, easterly to O'Fallon Mines #2.

Under trackage right agreement, the East St. Louis & Suburban Railway, an electric line, operates over this car-

rier's tracks between French Village and Fairview, a distance of about 2.09 miles.

Connections are made with other carriers for the interchange of business as follows:

| | |
|---|---|
| East St. Louis | Alton and Southern Railroad. |
| " | Illinois Transfer Railroad Company. |
| " | Southern Railway Company. |
| " | East St. Louis & Suburban Railway |
| Fairview | " " " " " " |
| French Village | " " " " " " |

## 2. Mileage and Valuation Sections

One valuation section has been established.

The mileage is as follows:

| | |
|---|---|
| Main Line | 8 939 |
| Yard Tracks and Sidings | 11 131 |
| Total All Tracks | 20 070 |

## 3. Characteristics of Country

The country traversed by this road is flat or gently rolling, for the first five miles, the remainder being rolling. The soil is sandy and clay.

The land adjacent to the carrier's right of way is well developed agriculturally.

The principal business of this road is handling coal from the mines of the St. Louis & O'Fallon Coal Company to connecting carriers.

## 4. Road

The grading is comparatively heavy, averaging about 42,000 cubic yards per mile, and is common excavation with the exception of a small amount of solid rock.

There are seven metal bridges with I beam spans from 20 to 28.4 feet in length, on concrete abutments.

Cross ties, in main track, average about 3,000 to the mile and are mostly untreated white oak with a small percentage of creosoted red oak. The main track is laid chiefly with 85-pound new rail.

The track is ballasted with cinders.

### 5. Equipment

The equipment owned and used by this carrier consists of 5 steam locomotives, 512 Freight-train cars, 7 passenger-train cars, 5 units of work equipment and Ford touring car.

On equipment purchased second-hand the cost of reproduction new herein is its second-hand reproduction cost. The cost of reproduction less depreciation for such equipment was computed by applying a condition per cent of the property in its second cycle of use to its second-hand cost.

### 6. Engineering and General Expenditures

Account 1—Engineering:

Engineering has been estimated at 4 per cent upon Road Accounts 3 to 47 inclusive.

[fol. 340] Accounts 71 to 77—General Expenditures:

General Expenditures, Accounts 71 to 77, exclusive of Account 76, have been estimated at 1½ per cent upon Road Accounts 1 to 47, exclusive of Account 2, Land.

Interest During Construction, Account 76, has been estimated at the rate of 6 per cent per annum, for one half the construction period, plus 3 months upon Road Accounts 1 to 47,, exclusive of Account 2, Land and upon General Expenditures, Accounts 71 to 77, exclusive of Account 76, and for 3 months upon Equipment Accounts 51 to 58, inclusive.

It has been estimated that a period of 10 months would be required for the construction of this carrier's property.

### 7. General Information

(a) Grading:

Grading has been computed upon the one-way basis with 500 feet free haul for team work and 5,000 feet for train work.

(b) Shrinkage:

Ten per cent has ben added to embankment and to ballast quantities for shrinkage.

(c) Waste:

The following percentages of actual quantities have been added for waste:

| | |
|---|---|
| Spikes | 3 per cent |
| Bolts | 1 " " |
| Angle Bars | 2 " " |

(d) Salvage:

Salvage and scrap values are as follows:

| | |
|---|---|
| Rail (Relay) | $21 50 per gross ton. |
| " (Scrap) | 12 00 " " " |
| Switch Material | 50 " cwt. |
| Angle Bars (Relay) | 1 00 " " |
| " " (Scrap) | 50 " " |
| Other Fastenings, except Spikes | 8 00 " net ton. |
| Other Fastenins, except Spikes | 8 00 " net ton. |
| Shop Machinery | 10 00 " " " |
| Locomotives and metal parts of cars | 10 00 " " " |

(e) Material Yard Expense:

Material yard expense has been allowed as follows:

| | |
|---|---|
| Rail | $ 50 per gross ton. |
| Other Track Material | 50 " net ton. |
| Cross ties | 03 each. |
| Switch and Bridge Ties | 1 00 per M. B. M. |

Interstate Commerce Commission, Bureau of Valuation

Summary Sheet

Wholly Owned and Used

R. V. Form No. 563
Owner: Saint Louis and O'Fallon Railway Company.
Operating Company: do.
Division: ; State: Illinois.
Valuation Section No. 1ABC—Ill.
From East St. Louis to O'Fallon Mine No. 2.
8.939 Miles Main Line, 20.070 Miles all Tracks.*
Date of Inventory: as of June 30, 1919.
Date Compiled: May 14, 1923.
Compiled by: J. E. R.
Correct: Louis Hood, Engineer.
Report Approved, Howard M. Jones, Supervising Engineer.

| R. and E. account number (1) | Classes (2) | Original cost to date (3) | Cost of reproduction: New (4) | Cost of reproduction: Less depreciation (5) | R. and E. account number (6) | Remarks (7) |
|---|---|---|---|---|---|---|
| | I. Road: | | | | | |
| 1 | Engineering | $ | $15,803 | $15,803 | 1 | |
| 2 | Land for transportation purposes | | | | 2 | |
| 3 | Grading | | 118,990 | 118,602 | 3 | |
| 4 | Underground power tubes | | | | 4 | |
| 5 | Tunnels and subways | | | | 5 | |
| 6 | Bridges, trestles, and culverts | | 24,492 | 21,075 | 6 | |
| 7 | Elevated structures | | | | 7 | |
| 8 | Ties | | 43,331 | 23,222 | 8 | |
| 9 | Rails | | 67,531 | 57,733 | 9 | |
| 10 | Other track material | | 16,580 | 10,752 | 10 | |
| 11 | Ballast | | 19,468 | 9,735 | 11 | |
| 12 | Track laying and surfacing | | 35,490 | 24,488 | 12 | |
| 13 | Right-of-way fences | | 43 | 22 | 13 | |
| 14 | Snow and sand fences and snowsheds | | | | 14 | |
| 15 | Crossings and signs | | 1,155 | 655 | 15 | |
| 16 | Station and office buildings | | 7,328 | 4,990 | 16 | |
| 17 | Roadway buildings | | 850 | 619 | 17 | |
| 18 | Water stations | | 1,927 | 1,258 | 18 | |
| 19 | Fuel stations | | | | 19 | |
| [illegible] | [illegible] | | [illegible] | [illegible] | [illegible] | |

| | | | | |
|---|---|---|---|---|
| 31 | Power transmission system | | | 31 |
| 32 | Power distribution systems | 19 | 18 | 32 |
| 33 | Power line poles and fixtures | 9 | 9 | 33 |
| 34 | Underground conduits | | | 34 |
| 35 | Miscellaneous structures | | | 35 |
| 36 | Paving | | | 36 |
| 37 | Roadway machines | 366 | 274 | 37 |
| 38 | Roadway small tools | 100 | 50 | 38 |
| 39 | Assessments for public improvements | | | 39 |
| 40 | Revenues and operating expenses during const | | | 40 |
| 41 | Cost of road purchased | | | 41 |
| 42 | Reconstruction of road purchased | | | 42 |
| 43 | Other expenditures—Road | | | 43 |
| 44 | Shop machinery | 16,653 | 12,518 | 44 |
| 45 | Power plant machinery | | | 45 |
| 46 | Power substation apparatus | | | 46 |
| 47 | Unapplied construction material and supplies | | | 47 |
| | Total, 1 to 47, inclusive | 410,875 | 339,034 | |
| | II Equipment | | | |
| 51 | Steam locomotives | 56,329 | 43,510 | 51 |
| 52 | Other locomotives | | | 52 |
| 53 | Freight-train cars | 422,390 | 266,377 | 53 |
| 54 | Passenger-train cars | 5,326 | 4,501 | 54 |
| 55 | Motor equipment of cars | | | 55 |
| 56 | Floating equipment | | | 56 |
| 57 | Work equipment | 2,132 | 920 | 57 |
| 58 | Miscellaneous equipment | 684 | 684 | 58 |
| | Total, 51 to 58, inclusive | 486,861 | 315,992 | |
| | III General Expenditures | | | |
| 71 | Organization expenses | | | 71 |
| 72 | General officers and clerks | | | 72 |
| 73 | Law | | | 73 |
| 74 | Stationery and printing | 6,163 | 5,054 | 74 |
| 75 | Taxes | | | 75 |
| 77 | Other expenditures—General | | | 77 |
| 78 | Interest during construction | 23,985 | 18,426 | 76 |
| | Total, 71 to 77, inclusive | 30,148 | 23,480 | |
| | Grand total, 1 to 77, inclusive | 927,884 | 678,506 | |
| | Grand total—Other | | | |

Form approved Oct. 7, 1916.

*State mileage to thousandths.

[fol. 341]

Grand Summary

Saint Louis and O'Fallon Railway Company

Summary of Costs of Common Carrier Property, Owned or Used, Exclusive of Account 2, Land

| | Main track miles | All track miles | Reproduction cost new | Reproduction cost less depreciation | Ratio reproduction cost less depreciation to reproduction cost new |
|---|---|---|---|---|---|
| Wholly owned and used | 8.939 | 20.070 | $927,884 | $678,506 | 73 |
| Grand total owned | 8.939 | 20.070 | 927,884 | 678,506 | 73 |
| Grand total used | 8.939 | 20.070 | 927,884 | 678,506 | 73 |

(Here follows side folio 342)

[fol. 343]

B. V. Form No. 561

Interstate Commerce Commission, Bureau of Valuation

Owner: Saint Louis and O'Fallon Railway Company

Val. Section No. 1ABC—III

Where but a single percentage is stated it represents both per cents

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | Cost of reproduction: New, total | Cost of reproduction: Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| | | Acct. No. 3, Grading | | | | | |
| | | Approved: C. H. Spencer | | | | | |
| All Tracks | | | | | | | |
| Clearing | 100 | | Acre | 26.30 | 35.00 | 921 | 921 |
| Grubbing | 100 | | Acre | 3.50 | 75.00 | 263 | 263 |
| Excavation: | | | | | | | |
| Common | 100 | | Cu. Yd. | 372,797 | .25 | 93,199 | 93,199 |
| Solid Rock | 100 | | Cu. Yd. | 3,847 | .80 | 3,078 | 3,078 |
| Team O. H. 500' free haul | 100 | | CY. Sta. | 122,300 | .0125 | 1,529 | 1,529 |
| Train O. H. over 25000' under 55000' | 100 | | CY1000' | 3,679,800 | .005 | 18,399 | 18,399 |
| Protection of Roadway: | | | | | | | |
| Riprap | 90 | | Cu. Yd. | 40 | 2.00 | 80 | 72 |
| Masonry: | | | | | | | |
| Rubble, dry | 75 | | Cu. Yd. | 333 | 4.00 | 1,332 | 999 |
| Rubble, mortar | 75 | | Cu. Yd. | 27 | 7.00 | 189 | 142 |
| Total for valuation section | | 100 | | | | 118,990 | 118,602 |

Approved: F. B. Scheetz

Metal Bridges and Combination Trusses:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Bridge No. 1: | | | | | | | |
| One I-beam span, single track, on two concrete abutments, length 22', built 1906: | | | | | | | |
| Substructure: | | | | | | | |
| Excavation and cofferdams | 87 | | | | | 32 | 28 |
| Concrete, plain | 87 | | Cu. Yd. | 94 | 7 50 | 705 | 613 |
| Superstructure: | | | | | | | |
| I-beams | 81 | 83 | Lb. | 7,200 | .034 | 245 | 203 |
| Sundry items | 70 | | | | | 44 | 31 |
| Total bridge | | 85 | | | | 1,026 | 875 |
| Bridge No. 2: | | | | | | | |
| One I-beam span, single track, on two concrete abutments, length 20', built 1906: | | | | | | | |
| Substructure: | | | | | | | |
| Excavation and cofferdams | 87 | | | | | 40 | 35 |
| Concrete, plain | 87 | | Cu. Yd. | 128 | 7 50 | 960 | 835 |
| Superstructure: | | | | | | | |
| I-beams | 71 | 75 | Lb. | 8,800 | .034 | 299 | 224 |
| Sundry items | 60 | | | | | 11 | 7 |
| Total bridge | | 84 | | | | 1,310 | 1,101 |

B. V. Form No. 261—Continued

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | New, total | Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| Bridge No. 3 | | | | | | | |
| One I-beam span, single track, on two concrete substructures, length 20', built 1907: | | | | | | | |
| Substructure: | | | | | | | |
| Excavation and cofferdams | 88 | | | | | 40 | 35 |
| Concrete, plain | 88 | | Cu. Yd. | 167 | 7.50 | 1,253 | 1,103 |
| Superstructure: | | | | | | | |
| I-beams | 83 | 85 | Lb. | 8,800 | .034 | 299 | 254 |
| Sundry items | 70 | | | | | 11 | 8 |
| Total bridge | | 87 | | | | 1,603 | 1,400 |
| Bridge No. 4 | | | | | | | |
| One I-beam span, single track, on two concrete abutments, length 24', built 1907: | | | | | | | |
| Substructure: | | | | | | | |
| Excavation and cofferdams | 88 | | | | | 50 | 44 |
| Concrete, plain | 88 | | Cu. Yd. | 161 | 7.50 | 1,208 | 1,063 |
| Superstructure: | | | | | | | |
| I-beams | 83 | 85 | Lb. | 9,734 | .034 | 331 | 281 |
| Sundry items | 70 | | | | | 11 | 8 |
| Total bridge | | 87 | | | | 1,600 | 1,396 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Bridge No. 6: | | | | | | | |
| One I-beam span, single track, on two concrete abutments, length 28', built 1909: | | | | | | | |
| Substructure: | | | | | | | |
| Excavation and cofferdams | 90 | | | | | 94 | 85 |
| Concrete, plain | 90 | | Cu. Yd. | 480 | 7 50 | 3,600 | 3,240 |
| Superstructure: | | | | | | | |
| I-beams | 86 | 88 | Lb. | 11,300 | .034 | 384 | 338 |
| Sundry items | 70 | | | | | 16 | 11 |
| Total bridge | | 90 | | | | 4,094 | 3,674 |
| [Folio 345] Metal Bridges and Combination Trusses: | | | | | | | |
| Bridge No. 7: | | | | | | | |
| One I-beam span, single track, on two concrete abutments, length 25 5', built 1909: | | | | | | | |
| Substructure: | | | | | | | |
| Excavation and cofferdams | 90 | | | | | 190 | 171 |
| Concrete plain | 90 | | Cu. Yd. | 615 | 7 50 | 4,613 | 4,152 |
| Superstructure: | | | | | | | |
| I-beams | 86 | 88 | Lb. | 10,400 | .034 | 354 | 312 |
| Sundry items | 70 | | | | | 12 | 8 |
| Total bridge | | 90 | | | | 5,169 | 4,643 |
| Bridge No. 8: | | | | | | | |
| One I-beam span, single track, on two concrete abutments, length 28 4', built 1909: | | | | | | | |
| Substructure: | | | | | | | |
| Excavation and cofferdams | 90 | | | | | 470 | 423 |
| Concrete, plain | 90 | | Cu. Yd. | 714 | 7 50 | 5,355 | 4,820 |
| Superstructure: | | | | | | | |
| I-beams | 86 | 88 | Lb. | 11,600 | .034 | 394 | 347 |
| Sundry items | 70 | | | | | 16 | 11 |
| Total bridges | | 90 | | | | 6,235 | 5,601 |
| Total metal bridges and combination trusses | | 89 | | | | 21,037 | 18,690 |

B. V. Form No. 561—Continued

| Character of property and description | Condition: Per cent of Per cent | cost, new | Unit | Number of units | Cost of reproduction: Per unit | New, total | Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| Masonry bridges and culverts | | | | | | | |
| 2 Culverts, 5' to 12' span | | | | | | | |
| Excavation, piling, grillage and cofferdams | 82 | | | | | 56 | 46 |
| Concrete, plain | 82 | | Cu. Yd. | 244 | 7.50 | 1,830 | 1,501 |
| Reinforcing rods | 82 | | Lb. | 19,328 | 017 | 329 | 270 |
| Total | | 82 | | | | 2,215 | 1,817 |
| Total masonry bridges and culverts | | 82 | | | | 2,215 | 1,817 |
| Pile and frame trestles | | | | | | | |
| 1 trestle, total length 16' | | | | | | | |
| Piling, oak | 20 | | Lin. Ft. | 160 | 45 | 72 | 14 |
| Caps, posts, sills Y. P. | 25 | | M. B. M. | 0.4 | 43.00 | 17 | 4 |
| Stringers, Y. P. | 30 | | M. B. M. | 1.0 | 43.00 | 43 | 13 |
| Guard timbers and bracing, Y. P. | 35 | | M. B. M. | 0.4 | 40.00 | 16 | 6 |
| Bulkheads | 30 | | M. B. M. | 1.0 | 28.00 | 28 | 6 |
| Hard ware | 30 | | Lb. | 200 | 04 | 8 | 2 |
| Masonry, rubble | 30 | | Cu. Yd. | 55 | 7.00 | 385 | 116 |
| Excavation | 30 | | Cu. Yd. | | | 25 | 8 |
| Total pile and frame trestles | 28 | | | | | 594 | 169 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pipe and Timber Culverts: | | | | | | | |
| Culverts: | | | | | | | |
| Timber, pine | 50 | .. | M. B. M. | 1,355 | 42.00 | 57 | 29 |
| Timber, old ties | 33 | .. | Each | 72 | .25 | 18 | 6 |
| Vitrified clay pipe 14" diam | 60 | .. | Lin. Ft. | 35 | .70 | 25 | 15 |
| Vitrified clay pipe 24" diam | 60 | .. | Lin. Ft. | 104 | 1.60 | 166 | 100 |
| Vitrified clay pipe 36" diam | 60 | .. | Lin. Ft. | 55 | 4.20 | 231 | 139 |
| Wrought iron pipe 6" diam | 60 | .. | Lin. Ft. | 15 | .55 | 8 | 5 |
| Headwalls, masonry rubble | 75 | .. | Cu. Yd. | 18 | 7.75 | 140 | 105 |
| Headwalls, old ties | 40 | .. | Each | 3 | .25 | 1 | ..... |
| Total pipe and timber culverts | 62 | .. | ..... | ..... | ..... | 646 | 399 |
| Total for valuation section | .. | 86 | ..... | ..... | ..... | 24,492 | 21,075 |

Form approved Aug. 12, 1916.

*State mileage to thousandths

[fol. 346]

Acct. No. 8—Title Ties
Approved: C. H. Spencer

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Main track: | | | | | | | |
| Cross ties, oak | 50 | .. | Each | 19,789 | .68 | 13,457 | 6,729 |
| " " treated creosoted | 71 | .. | " | 7,099 | .83 | 5,892 | 4,183 |
| Bridge ties, pine | 50 | .. | M. B. M. | 12.649 | 25.00 | 316 | 158 |
| Total main track | .. | 56 | ..... | ..... | ..... | 19,665 | 11,070 |
| Yard tracks and sidings: | | | | | | | |
| Cross ties, oak | 50 | .. | Each | 25,636 | .68 | 17,432 | 8,716 |
| " " " | 50 | .. | " | 72 | .68 | 49 | 25 |
| " " treated, creosoted | 71 | .. | " | 1,828 | .83 | 1,517 | 1,077 |
| Switch and crossing ties, oak | 50 | .. | M. B. M. | 194.508 | 24.00 | 4,668 | 2,334 |
| Total yard tracks and sidings | .. | 51 | ..... | ..... | ..... | 23,666 | 12,152 |
| Total for valuation section | .. | 54 | ..... | ..... | ..... | 43,331 | 23,222 |

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | Cost of reproduction: New, total | Cost of reproduction: Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| **Account 9, Rail** | | | | | | | |
| Main track: | | | | | | | |
| New 85#—1913 O. H. 131 track miles | 76 | 93 | Gr. Ton | 17 50 | 132 10 | 562 | 523 |
| " 85#—1902 Bess. 8 203 " " | 32 | 83 | " | 1,095 69 | 30 10 | 32,980 | 27,373 |
| " 55#—1900 " 592 " " | 24 | 81 | " | 51 17 | 30 10 | 1,540 | 1,247 |
| Total main track | | 83 | | | | 35,082 | 29,143 |
| Yard tracks and sidings: | | | | | | | |
| New 85#—1910 Bess. 3 134 track miles | 88 | 83 | Gr. Ton | 418 61 | 30 10 | 12,600 | 11,718 |
| " 55#—1900 " 7 630 " " | 75 | 85 | " | 659 45 | 30 10 | 19,849 | 16,872 |
| Total yard tracks and sidings | | 88 | | | | 32,449 | 28,590 |
| Total for valuation section | | 85 | | | | 67,531 | 57,733 |
| **Account 10, Other Track Material** | | | | | | | |
| Main track: | | | | | | | |
| Guard rail, curves and bridges | 80 | 91 | Cwt. | 99 91 | 1 00 | 100 | 91 |
| Derails | 67 | 73 | Each | 3 | | 44 | 32 |
| Joints: | | | | | | | |
| New 61—60# incl., plain angles | 32 | 73 | Cwt. | 1,345 63 | 1 66 | 2,234 | 1,631 |
| New 60# and under, plain angles | 24 | 70 | " | 69 61 | 1 66 | 116 | 81 |
| Compromise | 32 | 80 | Each | 8 | | 32 | 26 |
| Bolts 7/8" x 4 1/2" to 3/4" x 3 1/2" | 32 | 47 | Cwt. | 147 69 | 2 26 | 334 | 157 |
| Tie plates | 32 | 53 | " | 1,301 60 | 1 61 | 1,774 | 940 |
| Rail braces | 32 | 43 | Each | 16 | 12 | 2 | 1 |
| Spikes | 50 | | Cwt. | 626 84 | 1 71 | 1,072 | 536 |
| Rail rests | 47 | | Each | 3 | 4 00 | 12 | 6 |
| Total main track | | 61 | | | | 5,720 | 3,501 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Yard tracks and Sidings. | | | | | | | | |
| Switches: | | | | | | | | |
| Split 61¢—90¢ incl | 50 | 59 | Each | 40 | | | 1,330 | 785 |
| " 60¢ and under | 50 | 59 | " | 37 | | | 1,060 | 625 |
| Switch Stands: | | | | | | | | |
| Low | 50 | 55 | Each | 49 | | 10 80 | 529 | 291 |
| High | 50 | 55 | " | 19 | | 13 25 | 252 | 139 |
| Ground throw | 50 | 55 | " | 8 | | 7 50 | 60 | 33 |
| Jack knife | 50 | 55 | " | 3 | | 5 00 | 15 | 8 |
| [Fol 347] Frogs: | | | | | | | | |
| Rigid 61¢—90¢ incl | 50 | 59 | Each | 28 | | | 703 | 415 |
| " 60¢ and under | 50 | 59 | " | 37 | | | 606 | 358 |
| Spring 61¢—90¢ incl | 50 | 58 | " | 13 | | 45 25 | 588 | 341 |
| Guard rail, curves and bridges | 80 | 91 | Cwt. | 7 | 37 | 1 00 | 7 | 6 |
| Guard rails and fastenings at turnouts | 50 | 62 | " | 430 | 65 | 2 22 | 956 | 593 |
| Guard rail clamps | 60 | 64 | Each | 29 | | 3 00 | 87 | 56 |
| Derails | 67 | 73 | " | 8 | | | 81 | 59 |
| Joints: | | | | | | | | |
| New 61¢—90¢ incl., plain angles | 88 | 92 | Cwt. | 547 | 76 | 1 66 | 909 | 836 |
| " 60¢ and under, plain angles | 80 | 86 | " | 817 | 80 | 1 66 | 1,358 | 1,168 |
| Insulated | 88 | 96 | Each | 2 | | 4 75 | 10 | 10 |
| Compromise | 88 | 96 | " | 48 | | | 185 | 178 |
| Bolts 7/8"x4½" to ¾"x3-5/8" | 88 | 91 | Cwt. | 148 | 04 | 2 26 | 335 | 305 |
| Tie plates | 88 | 92 | " | 133 | 95 | 1 61 | 216 | 199 |
| Rail braces | 88 | 90 | Each | 1,620 | | | 148 | 133 |
| Spikes | 50 | | Cwt. | 829 | 73 | 1 71 | 1,419 | 710 |
| Bumping posts | 50 | | Each | 2 | | | 6 | 3 |
| Total yard tracks and sidings | | 67 | | | | | 10,860 | 7,251 |
| Total for valuation section | | 65 | | | | | 16,580 | 10,752 |

[fol. 343]

B. V. Form No. 561—Continued

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | New, total | Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| **Account 11, Ballast** | | | | | | | |
| Main track: | | | | | | | |
| Cinder ballast from East St. Louis, average haul 3 miles | 50 | | Cu. Yd. | 42,642 | .25 | 10,661 | 5,331 |
| Total main track | | 50 | | | | 10,661 | 5,331 |
| Yard tracks and sidings: | | | | | | | |
| Cinder ballast from East St. Louis, average haul 3 miles | 50 | | Cu. Yd. | 35,228 | .25 | 8,807 | 4,404 |
| Total yard tracks and sidings | | 50 | | | | 8,807 | 4,404 |
| Total for valuation section | | 50 | | | | 19,468 | 9,735 |
| **Account 12, Tracklaying and Surfacing** | | | | | | | |
| Main track: | | | | | | | |
| Tracklaying and initial surfacing, rail 61#—90# incl | | | Miles | 8.334 | 950 00 | 7,917 | |
| " " " " 60# and under | | | " | 0.605 | 925 00 | 560 | |
| Placing cinder ballast | | | Cu. Yd. | 42,642 | .19 | 8,102 | |
| " bridge ties | | | M. B. M. | 12.649 | 10 00 | 126 | |
| " guard rail, curves and bridges | | | Lin. Ft. | 442 | .025 | 11 | |
| " switch point, one point, derails | | | " | 2 | 7 50 | 15 | |
| " Hayes Derail with stand | | | " | 1 | 5 00 | 5 | |
| " tie plates | | | " | 17,531 | .0125 | 219 | |
| " rail braces | | | " | 16 | .02 | | |
| Yard tracks and sidings: | | | | | | | |
| Tracklaying and initial surfacing, rail 61#—90# incl | | | Miles | 3.332 | 900 00 | 2,999 | |
| Tracklaying and initial surfacing, rail 60# and under | | | " | 7.799 | 825 00 | 6,434 | |
| Placing cinder ballast | | | Cu. Yd. | 35,228 | .19 | 6,693 | |
| " turnouts | | | Each | 77½ | 30 00 | 2,325 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| [fol. 348] Placing guard rail, curves and bridges | .. | .. | Lin. Ft. | 26 | .025 | 1 | ..... |
| " derails, locomotive appliance | .. | .. | Each | 4 | 3.00 | 12 | ..... |
| " Hayes, derails | .. | .. | " | 4 | 3.00 | 12 | ..... |
| " tie plates | .. | .. | " | 2,153 | .0125 | 27 | ..... |
| " rail braces | .. | .. | " | 1,620 | .02 | 32 | ..... |
| Total for valuation section | .. | 69 | ..... | ..... | ..... | 35,490 | 24,486 |
| **Account 13, Right of Way Fence** | | | | | | | |
| 3 strand barb wire posts, 12' c—c | 50 | .. | Lin. Ft. | 1,216 | .035 | 43 | 22 |
| Total for valuation section | .. | 50 | ..... | ..... | ..... | 43 | 22 |
| **Account 15, Crossings and Signs** | | | | | | | |
| Grade crossings: | | | | | | | |
| Grading: | | | | | | | |
| Excavation, common | 100 | .. | Cu. Yd. | 72 | .25 | 18 | 18 |
| Embankment | 100 | .. | " | 542 | 25 | 136 | 136 |
| Surfacing: | | | | | | | |
| Planking | 50 | .. | M. B. M. | 22.336 | 35.00 | 782 | 391 |
| Drainage: | | | | | | | |
| Wood boxes | 50 | .. | " | .683 | 35.00 | 24 | 12 |
| Total grade crossings | ... | 58 | ..... | ..... | ..... | 960 | 557 |
| Signs: | | | | | | | |
| Mile posts and other signs | 50 | .. | Each | 34 | ..... | 195 | 98 |
| Total signs | ... | 50 | ..... | ..... | ..... | 195 | 98 |
| Total for valuation section | ... | 57 | ..... | ..... | ..... | 1,155 | 655 |

B. V. Form No. 561—Continued

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | New, total | Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| [Folio 349] | Acct. No. 16, Station and Office Buildings | | | | | | |
| | Approved: John A. Calvin | | | | | | |
| East St. Louis, Ill.: | | | | | | | |
| Office building, frame, special, built 1904, metal roof: | | | | | | | |
| Building 20'x30' | 70 | | Cu. Ft. | 16,200 | .075 | 1,215 | 851 |
| Porch | 70 | | | | | 370 | 259 |
| Foundation | 70 | | | | | 76 | 53 |
| Plumbing and lighting | 70 | | | | | 238 | 167 |
| Sundry items | 70 | | | | | 309 | 216 |
| Furniture and appurtenances | 50 | | | | | 479 | 240 |
| Total building | 66 | | | | | 2,687 | 1,786 |
| Drainage and pipe lines | 67 | | | | | 342 | 229 |
| Freight house and platform, frame, type XIII, built 1917, prepared roof: | | | | | | | |
| Building 10'x20' | 97 | | Cu. Ft. | 2,000 | .067 | 134 | 130 |
| Platform | 97 | | | | | 40 | 39 |
| Foundation | 97 | | | | | 92 | 89 |
| Total building | 97 | | | | | 266 | 258 |
| Miscellaneous building improvements | 75 | | | | | 174 | 131 |
| Mile Post 1: | | | | | | | |
| Track scale 100 ton, 42', concrete pit, built 1904 | 67 | | | | | 3,859 | 2,586 |
| Total for valuation section | | 68 | | | | 7,328 | 4,990 |

## Acct. 17, Roadway Buildings

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Mile Post #1 | | | | | | | |
| Hand car tool house, frame, type XIV, built 1904, prepared roof, Building 10'x16' | 67 | .. | Cu. Ft. | 1,280 | .110 | 141 | 94 |
| Mine #1 | | | | | | | |
| Section car and tool house, frame, type XVa, built 1904, prepared roof, Building 14'x24' | 67 | .. | ..... | ..... | ..... | 231 | 155 |
| Mine #2 | | | | | | | |
| Section car and tool house, frame, type XVa, built 1917, prepared roof, Building 14'x20' | 97 | .. | ..... | ..... | ..... | 175 | 170 |
| Car repair shanty, frame, type XV, built 1904, prepared roof, Building 14'x24' | 67 | .. | ..... | ..... | ..... | 169 | 113 |
| Bunk house, box car body with improvements | 63 | .. | ..... | ..... | ..... | 115 | 73 |
| Mile 9 | | | | | | | |
| Miscellaneous grading | 75 | .. | ..... | ..... | ..... | 19 | 14 |
| Total for valuation section | .. | 73 | ..... | ..... | ..... | 850 | 619 |

## Acct. 18, Water Stations

Approved: F. B. Schaetz

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| East St. Louis, Ill. | | | | | | | |
| Tank wood, 16' dia.x16' high, steel frame, concrete piers | 50 | .. | ..... | ..... | ..... | 1,017 | 509 |
| Pipe lines | 82 | .. | ..... | ..... | ..... | 910 | 749 |
| Total for valuation section | .. | 65 | ..... | ..... | ..... | 1,927 | 1,258 |

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | New, total | Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| **Acct. No. 20, Shops and Engine Houses** | | | | | | | |
| **Approved: John A. Galvin** | | | | | | | |
| East St. Louis, Ill. | | | | | | | |
| Storehouse and office, frame, special, built 1915, prepared roof, | | | | | | | |
| Building, storeroom 24'x73' | 93 | .. | Cu. Ft. | 25,404 | .054 | 1,372 | 1,276 |
| " office end 16'x24' | 93 | .. | " | 9,168 | .105 | 963 | 896 |
| Foundation | 93 | .. | .. | .. | .. | 87 | 81 |
| Plumbing and lighting | 93 | .. | .. | .. | .. | 119 | 111 |
| Sundry items | 93 | .. | .. | .. | .. | 157 | 146 |
| Furniture and appurtenances | 50 | .. | .. | .. | .. | 150 | 75 |
| Total building | 91 | .. | .. | .. | .. | 2,848 | 2,585 |
| Trunk part store house, special, built 1917, prepared roof, | | | | | | | |
| Building 24'x36' | 93 | .. | Cu. Ft. | 12,960 | .064 | 829 | 771 |
| Foundation | 93 | .. | .. | .. | .. | 29 | 27 |
| Total building | 93 | .. | .. | .. | .. | 858 | 798 |
| Oil house, concrete, type XVII, built 1919, concrete roof, | | | | | | | |
| Building 17'x43' | 93 | .. | Cu. Ft. | 8,772 | .116 | 1,018 | 947 |
| Platform | 93 | .. | .. | .. | .. | 26 | 24 |
| Foundation | 93 | .. | .. | .. | .. | 284 | 264 |
| Mechanical equipment | 93 | .. | .. | .. | .. | 920 | 856 |
| Lighting | 93 | .. | .. | .. | .. | 16 | 15 |
| Sundry items | 93 | .. | .. | .. | .. | 255 | 237 |
| Total building | 93 | .. | .. | .. | .. | 2,519 | 2,343 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Wheel tracks and miscellaneous timber | 62 | | | | 738 | 460 |
| Car repair shed, frame, special, built 1919, prepared roof, | | | | | | |
| Building irregular | 100 | Cu. Ft. | 230,945 | .043 | 9,931 | 9,931 |
| Foundation | 100 | | | | 534 | 534 |
| Total building | 100 | | | | 10,465 | 10,465 |
| Flue rattler shed, metal, special, built 1915, prepared roof, | | | | | | |
| Building 36'x39' | 87 | Cu. Ft. | 18,252 | .03 | 548 | 477 |
| Foundation | 87 | | | | 15 | 13 |
| Pit | 87 | | | | 87 | 76 |
| Mechanical equipment | 87 | | | | 23 | 20 |
| Total building | 87 | | | | 673 | 586 |
| Wash house and locker room, special, built 1917, prepared roof, | | | | | | |
| Building 18'x45' | 96 | Cu. Ft. | 11,340 | .07 | 794 | 762 |
| Foundation | 96 | | | | 298 | 286 |
| Plumbing, heating and lighting | 96 | | | | 1,301 | 1,249 |
| Sundry items | 96 | | | | 17 | 16 |
| Total building | 96 | | | | 2,410 | 2,313 |
| Air testing room, frame, type XIVa, built 1916, prepared roof, | | | | | | |
| Building 9'x22' | 94 | Cu. Ft. | 1,701 | .078 | 133 | 125 |
| Foundation | 94 | | | | 4 | 4 |
| Lighting | 94 | | | | 40 | 38 |
| Sundry items | 94 | | | | 14 | 13 |
| Total building | 94 | | | | 191 | 180 |
| Sand house, frame, type XIII, prepared roof, | | | | | | |
| Building 16'x24' | 90 | Cu. Ft. | 4,992 | .045 | 225 | 203 |
| Sundry items | 90 | | | | 110 | 99 |
| Total building | 90 | | | | 335 | 302 |

B. V. Form No. 561—Continued

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | Cost of reproduction: New, total | Cost of reproduction: Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| Carpenter shop, box car body and leanto | 50 | | | | | 215 | 108 |
| Inspector's house, frame, type XIV, built 1918, prepared roof, | | | | | | | |
| Building 10'x20' | 98 | | Cu. Ft. | 1,800 | 108 | 194 | 190 |
| Foundation | 98 | | | | | 23 | 23 |
| Total building | 98 | | | | | 217 | 213 |
| [fol. 351] Four stall engine house, machine shop, boiler room, punch and shear room, frame, special, built 1915, prepared roof, | | | | | | | |
| Building engine house, irregular | 96 | | Cu. Ft. | 161,210 | 05 | 8,061 | 7,739 |
| " machine shop 28'x40' | 96 | | " | 21,280 | 054 | 1,149 | 1,103 |
| " boiler room 12'x40' | 96 | | " | 9,120 | 054 | 492 | 472 |
| " punch and shear 20'x41.5' | 100 | | " | 13,695 | 065 | 890 | 890 |
| Leanto 9'x18' | 96 | | " | 1,620 | 045 | 73 | 70 |
| Pits | 96 | | | | | 2,285 | 2,194 |
| Foundation | 96 | | | | | 1,468 | 1,409 |
| Mechanical equipment | 96 | | | | | 869 | 834 |
| Plumbing and heating | 96 | | | | | 716 | 687 |
| Sundry items | 96 | | | | | 29 | 19 |
| Total building | 96 | | | | | 16,023 | 15,417 |
| Total for valuation section | | 95 | | | | 37,492 | 35,770 |

Acct. 26, Telegraph and Telephone Lines
Approved: R. W. Gray

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Equipment: | | | | | | | |
| Office apparatus including interior wiring and associated items at 13 locations | 80 | | | | | 216 | 173 |
| Pole Lines: | | | | | | | |
| 30' Eastern Cedar Class B Poles | 33 | | Each | 112 | 5 77 | 646 | 213 |
| 30' " " " C " | 33 | | " | 136 | 3 84 | 522 | 172 |
| Other eastern cedar poles | 33 | | " | 27 | | 203 | 67 |
| 30' earth settings | 33 | | " | 257 | 2 53 | 650 | 215 |
| Other earth settings | 33 | | " | 18 | | 51 | 17 |
| Crossarms, type S, pine, 4' | 25 | | " | 387 | 59 | 228 | 57 |
| Pins, wood | 25 | | " | 774 | .0156 | 12 | 3 |
| Sundry items | 33 | | | | | 67 | 22 |
| Aerial Wire: | | | | | | | |
| #12 B & S H. D. bare copper | 60 | 71 | Mile | 13 28 | 25 08 | 333 | 237 |
| #12 B W G Gal. iron | 100 | | " | 4 06 | 12 56 | 51 | 51 |
| Transportation, physical | 67 | | Each | 16 | 58 | 9 | 6 |
| Booths, Telephone: | | | | | | | |
| Type 18 at Franch Village | 80 | | Each | 1 | 18 00 | 18 | 14 |
| " 20 " Junctions | 90 | | " | 1 | 64 00 | 64 | 58 |
| " 19 " Passing Tracks | 80 | | " | 1 | 48 00 | 48 | 38 |
| " 20 " Mine #2 | 75 | | " | 1 | 130 00 | 130 | 98 |
| Total for valuation section | | 44 | | | | 3,248 | 1,441 |

[fol. 352]

Acct. No. 32, Power Distribution Systems
Approved: John R. Thompson

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| E. St. Louis, Ill.: | | | | | | | |
| Light distribution system | 95 | 95 | Lot | 1 | | 19 | 18 |
| Total for valuation section | | 95 | | | | 19 | 18 |

B. V. Form No. 561—Continued

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | New, total | Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| **Acct. 33, Power Line Poles and Fixtures** | | | | | | | |
| East St. Louis, Ill.: | | | | | | | |
| Poles and fixtures | 95 | | Lot | 1 | | 9 | 9 |
| Total for valuation section | | 95 | | | | 9 | 9 |
| **Acct. 37, Roadway Machines** | | | | | | | |
| East St. Louis, Ill.: | | | | | | | |
| Motor car | 70 | 71 | Each | 1 | | 205 | 146 |
| Hand car | 100 | 100 | " | 2 | 30 | 60 | 60 |
| Velocipede | 80 | 81 | " | 1 | | 26 | 21 |
| Push car | 60 | 62 | " | 3 | 25 | 75 | 47 |
| Total for valuation section | | 75 | | | | 366 | 274 |
| **Acct. 38, Roadway Small Tools** | | | | | | | |
| Approved: C. H. Spencer | | | | | | | |
| Section gang tools | 50 | | Sets | 1 | | 100 | 50 |
| Total for valuation section | | 50 | | | | 100 | 50 |

NOTE: Unless otherwise noted all machine tools are belt driven.

East St. Louis, Ill.:

Locomotive and car department:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Loco. type boiler dia. 47" with stack and feed water tank | 35 | 38 | Each | 1 | | | 1,323 | 503 |
| Engine vertical side crank, 12"x12" J. C. Born & Bro. secondhand | 100 | 100 | " | 1 | | | 227 | 227 |
| Engine vert. side crank 8"x8", J. C. Borne & Bro., 1904 | 50 | 52 | " | 1 | | | 231 | 120 |
| Air compressor, single steam and air 12"-13"x14", Worthington Pump & Machy. Corp., 1917 | 93 | 93 | " | 1 | | | 1,432 | 1,332 |
| Pump 5¼"x3¼"x5", bronze fitted, inside packed, Hooke Colville, secondhand, 1913 | 83 | 84 | " | 1 | | | 75 | 63 |
| Air pump 9½" W. A. B. | 50 | 51 | " | 2 | 84 | | 168 | 86 |
| Lathe 26"x13'0", O. S. gear change, J. B. Reed, 1904 | 45 | 46 | " | 1 | | | 919 | 423 |
| Lathe 18"x12'0", O. S. gears, J. B. Reed, 1910 | 65 | 66 | " | 1 | | | 549 | 362 |
| Planer 24"x24"x6'0", 1 head, Cincinnati Planer Co., 1904 | 70 | 71 | " | 1 | | | 769 | 546 |
| Drill 30" Aurora Tool Wks. 1904 | 55 | 57 | " | 1 | | | 242 | 138 |
| Post Drill 35" rad. St. L. & O'F. Ry., 1916 | 90 | 90 | " | 1 | | | 78 | 70 |
| Bolt cutter 2" single head, Acme, 1917 | 92 | 92 | " | 1 | | | 489 | 450 |
| Punch & Sheer, double 7½ H. P., motor drive, type A 36" throats, architectural Jaw, Long & Alstatter, 1919 | 100 | 100 | " | 1 | | | 3,741 | 3,741 |
| Flue rattler 30"x20'6" St. L. & O'F. Ry., 1911 | 70 | 72 | " | 1 | | | 461 | 332 |
| Grinder punch blower & pipe, flue welder, flue cutter, hack saw | 67 | 68 | Lot | 1 | | | 338 | 230 |
| Small tools (loco. & car dept.) | 69 | 70 | " | 1 | | | 5,035 | 3,525 |
| Shafting and fittings | 65 | | " | 1 | | | 144 | 94 |
| Belt | 60 | | " | 1 | | | 267 | 160 |
| Patterns | 70 | | " | 1 | | | 165 | 116 |
| Total for valuation section | | 75 | | | | | 16,653 | 12,618 |

B. V. Form No. 561—Continued

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | New, total | Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | | (2) | (3) | (4) | (5) | (6) |
| Acct. 51, Steam Locomotives | | | | | | | |
| No. 2—Baldwin Loco. Wks. 1874, type 0-6-0 switching service, cylinders 17"x22", total light weight 54 tons, secondhand | 100 | 100 | Each | 1 | ..... | 5,616 | 5,616 |
| No. 3—American Loco. Co., 1904, type 0-6-0, switching service, cylinders 19"x24"; total light weight 75 tons | 60 | 62 | " | 1 | ..... | 12,350 | 7,657 |
| No. 4—American Loco. Co., 1906, type 2-6-0, freight service, cylinders 19"x24"; total light weight 83 tons | 63 | 66 | " | 1 | ..... | 12,738 | 8,407 |
| [Folio 354] No. 5—American Loco. Co., 1910, type 2-6-2, freight service; cylinders 20"x26"; total light weight 113 tons | 76 | 78 | Each | 1 | ..... | 17,250 | 13,455 |
| No. 6—American Loc. Co. 1907, type 0-6-0, switching service, cylinders 20"x26"; total light weight 84 tons, secondhand | 100 | 100 | " | 1 | ..... | 8,375 | 8,375 |
| Total for valuation section | | 77 | | | | 56,329 | 43,510 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Acct. 53, Freight-train Cars** | | | | | | | |
| Gondola Cars: (Side Dump) | | | | | | | |
| No. 30 to 35—American Car & Foundry Co., 1900; capacity 40,000 lbs.; wood body and underframe | 29 | 43 | Each | 6 | 425 | 2,550 | 1,097 |
| Gondola Cars: (Drop Bottom) | | | | | | | |
| No. 2300 to 2324—American Car & Foundry Co., 1905, capacity 100,000 lbs., steel body and underframe | 56 | 66 | " | 25 | 780 | 21,750 | 14,355 |
| Hopper Cars: | | | | | | | |
| No. 2400 to 2449—American Car & Foundry Co., 1914, capacity 100,000 lbs., steel body and underframe | 75 | 81 | " | 50 | 820 | 41,000 | 33,210 |
| Gondola (Plain Bottom): | | | | | | | |
| No. 2500 to 2999—American Car & Foundry Co., 1905–1906, capacity 100,000 lbs., steel body and underframe | 51 | 61 | " | 428 | 830 | 355,240 | 216,696 |
| Caboose: | | | | | | | |
| No. 500, length 34'; wood body and underframe, arch bar trucks, rebuilt | 68 | 73 | " | 1 | ..... | 525 | 383 |
| No. 507, length 34', wood body and underframe; arch bar trucks | 50 | 56 | " | 1 | ..... | 700 | 392 |
| No. 510, length 34'; wood body and underframe, arch bar trucks | 30 | 39 | " | 1 | ..... | 625 | 244 |
| Total for valuation section | .. | 63 | ..... | ..... | ..... | 422,390 | 266,377 |
| **Acct. 54, Passenger-train Cars** | | | | | | | |
| Miner's Coach: | | | | | | | |
| No. 43, 44 length 45'0", wood body and underframe, wood 4-wheel trucks, secondhand | 95 | 96 | Each | 2 | 620 | 1,240 | 1,190 |
| No. 45–46 length 45'0", wood body and underframe, wood 4-wheel trucks, secondhand | 95 | 96 | " | 2 | 620 | 1,240 | 1,190 |
| No. 47 length 58'0", wood body and underframe, wood plated 4-wheel trucks, secondhand | 100 | 100 | " | 1 | ..... | 724 | 724 |
| No. 48 Pullman Co., length 58'0", wood body and underframe, wood plated 6-wheel trucks, secondhand | 65 | 71 | " | 1 | ..... | 1,122 | 797 |
| [fol. 355] No. 49 length 48'0", wood body and underframe, wood plated 4-wheel trucks, secondhand | 54 | 60 | Each | 1 | ..... | 1,000 | 600 |
| Total for valuation section | .. | 85 | ..... | ..... | ..... | 5,326 | 4,501 |

[fol. 343]

B. V. Form No. 561—Continued

| Character of property and description | Condition Per cent | Per cent of cost, new | Unit | Number of units | Cost of reproduction: Per unit | New, total | Less depreciation |
|---|---|---|---|---|---|---|---|
| (1) | | (2) | | (3) | (4) | (5) | (6) |
| **Acct. 57, Work Equipment** | | | | | | | |
| Flat Cars: | | | | | | | |
| No. 11-15, capacity 60,000 lbs., wood underframe, secondhand | 22 | 44 | Each | 3 | 300 | 900 | 396 |
| Gondola: (Plain Bottom) | | | | | | | |
| No. 16—capacity 60,000 lbs., wood body and underframe | 25 | 39 | " | 1 | ..... | 500 | 195 |
| Box: | | | | | | | |
| No. 509 capacity 60,000 lbs., wood body and underframe, secondhand | 37 | 45 | " | 1 | ..... | 732 | 329 |
| Total for valuation section | | 43 | | | | 2,132 | 920 |
| **Acct. 58, Miscellaneous Equipment** | | | | | | | |
| East St. Louis, Ill. | | | | | | | |
| Ford Touring Car, 1919 | 100 | 100 | Each | 1 | ..... | 684 | 684 |
| Total for valuation section | | 100 | | | | 684 | 684 |

[fol. 356]

**Account 1, Engineering**

Approved: Louis Hood

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 4% of cost of reproduction new of road accounts 3 to 47, inclusive | 100 | | | 395,072 | 04 | 15,803 | 15,803 |

Accounts 71-77, General Expenditures

Accounts 71 to 75 and 77, General Expenditures

| | | | | | |
|---|---|---|---|---|---|
| 1½% of cost of reproduction new of road accounts 1 to 47, inclusive (except Account 2, land) | 82 | 410,875 | .015 | 6,163 | 5,054 |

Account 76, Interest During Construction

| | | | | | |
|---|---|---|---|---|---|
| 6% per annum of cost of reproduction new for one-half the construction period, plus 3 months, of road accounts 1 to 47, inclusive (except account 2, land) and of general expenditures, 71 to 75 and 77. | | | | | |
| Construction period 10 months. | | | | | |
| Interest " 8 " | | | | | |
| Total on 1 to 47 | | 410,875 | | | |
| " " 71 to 75 | | 6,163 | | | |
| | 82 | 417,038 | .04 | 16,682 | 13,679 |
| 6% per annum for 3 months on equipment accounts 51 to 58, inclusive | 65 | 486,861 | .015 | 7,303 | 4,747 |
| Total account 76 | 77 | | | 23,985 | 18,426 |
| Total all | 78 | | | 30,148 | 23,480 |

Form approved Aug. 12, 1916.

*State mileage to thousandths.

[fol. 357] STATEMENT RE EX. 21 (HOOD)

A document consisting of 30 sheets being the report of the Engineering Section upon Manufacturers' Railway Company (St. Louis), signed by Carl C. Witt, containing a description of the property of the Railway Company and estimates of the cost of reproduction new and less depreciation by accounts with quantities corrected to reflect the changes in physical property (excluding land, working capital, materials and supplies) at the end of each of the years 1920, 1921, 1922 and 1923 with prices applied to such quantities as of June 30, 1914. For the inventory as of December 31, 1920, with prices as of June 30, 1914, on the Manufacturers, the cost of reproduction new for property wholly owned and used (excluding land, working capital, materials and supplies) was $1,000,670, and the cost of reproduction less depreciation was $809,339. For the inventory as of December 31, 1921, with prices as of June 30, 1914, on the Manufacturers, the cost of reproduction new for property wholly owned and used (excluding land, working capital, materials and supplies) was $947,763, and the cost of reproduction less depreciation was $767,371. For the inventory as of December 31, 1922, with prices as of June 30, 1914, on the Manufacturers, the cost of reproduction new for property wholly owned and used (excluding land, working capital, materials and supplies) was $955,774, and the cost of reproduction less depreciation was $761,517. For the inventory as of December 31, 1923, with prices as of June 30, 1914, on the Manufacturers, the cost of reproduction new for property wholly owned and used (excluding land, working capital, materials and supplies) was $971,572, and the cost of reproduction less depreciation was $763,879.

[fol. 358] Ex. 22 (Hood)

Interstate Commerce Commission, Bureau of Valuation

Engineering Report Upon Saint Louis and O'Fallon Railway Company

Recapture Reports, Years 1920, 1921, 1922, and 1923, Prices as of June 30, 1914

Washington, D. C., September 25, 1924.

Honorable C. F. Staples, Acting Director, Bureau of Valuation, Interstate Commerce Commission, Washington, D. C.

Dear Sir: I herewith transmit the report of the engineering section upon the Saint Louis and O'Fallon Railway Company, showing units as of December 31, 1920, with prices as of June 30, 1914.

Very respectfully,

Carl C. Witt, Supervising Engineer.

[fols. 359 & 360] Interstate Commerce Commission, Bureau of Valuation

Engineering Report upon Saint Louis and O'Fallon Railway Company Showing Cost of Reproduction New and Cost of Reproduction Less Depreciation

Inventory as of December 31, 1920. Prices as of June 30, 1914

[fol. 361] Explanatory Text

Saint Louis and O'Fallon Railway Company

1. Description of Road

The Saint Louis and O'Fallon Railway Company was incorporated June 1, 1896, under the general laws of the State of Illinois.

This carrier owns and operates a single track, standard gauge railroad within the State of Illinois, extending from East St. Louis, easterly to O'Fallon Mine #2.

Under trackage right agreement, the East St. Louis & Suburban Railway, an electric line, operates over this carrier's tracks between French Village and Fairview, a distance of about 2.09 miles.

Connections are made with other carriers for the interchange of business as follows:

| | |
|---|---|
| East St. Louis. | Alton and Southern Railroad |
| East St. Louis. | Illinois Transfer Railroad Company |
| East St. Louis. | Southern Railway Company |
| East St. Louis. | East St. Louis & Suburban Railway |
| Fairview | East St. Louis & Suburban Railway |
| French Village | East St. Louis & Suburban Railway |

## 2. Mileage and Valuation Sections

One valuation section has been established.

The mileage is as follows:

| | |
|---|---|
| Main Line | 8.939 |
| Yard Tracks and Sidings | 11.379 |
| Total All Tracks | 20.318 |

## 3. Characteristics of Country

The country traversed by this road is flat or gently rolling, for the first five miles, the remainder being rolling. The soil is sandy and clay.

The land adjacent to the carrier's right of way is well developed agriculturally.

The principal business of this road is handling coal from the mines of the St. Louis & O'Fallon Coal Company to connecting carriers.

## 4. Road

The grading is comparatively heavy, averaging about 42,000 cubic yards per mile, and is common excavation with the exception of a small amount of solid rock.

There are seven metal bridges, six with I-beam spans and one thru plate girder span, ranging from 20 to 78 feet in length, on concrete and timber abutments.

Cross ties, in main track, average about 3,000 to the mile and are mostly untreated white oak with a small percentage of creosoted red oak. The main track is laid chiefly with 85-pound new rail.

The track is ballasted with cinders.

### 5. Equipment

The equipment owned and used by this carrier consists of 5 steam locomotives, 512 freight-train cars, 7 passenger-train cars, 7 units of work equipment and 1 Dodge automobile.

On equipment purchased second-hand the cost of reproduction new herein is its second-hand reproduction cost. The cost of reproduction less depreciation for such equipment was computed by applying a condition per cent of the property in its second cycle of use to its second-hand cost.

### 6. Engineering and General Expenditures

Account 1—Engineering:

Engineering has been estimated at 4 per cent upon Road Accounts 3 to 47, inclusive.

[fol. 362] Accounts 71 to 77—General Expenditures:

General Expenditures, Accounts 71 to 77, exclusive of Account 76, have been estimated at 1-1/2 per cent upon Road Accounts 1 to 47, exclusive of Account 2, Land.

Interest During Construction, Account 76, has been estimated at the rate of 6 per cent per annum for one half the construction period, plus 3 months upon Road Accounts 1 to 47, exclusive of Account 2, Land, and upon General Expenditures, Accounts 71 to 77, exclusive of Account 76, and for 3 months upon Equipment Accounts 51 to 58, inclusive.

It has been estimated that a period of 10 months would be required for the construction of this carrier's property.

## 7. General Information

(a) Grading:

Grading has been computed upon the one-way basis with 500 feet free haul for team work and 5,000 feet for train work.

(b) Shrinkage:

On quantities inventoried as of June 30, 1919, ten per cent has been added to embankment and to ballast quantities for shrinkage.

(c) Waste:

The following percentages as actual quantities have been added for waste to quantities as of June 30, 1919. No additions have been made to adjustments filed by the carrier since that date:

| | |
|---|---|
| Spikes | 3 per cent |
| Bolts | 1 " |
| Angle bars | 2 " |

(d) Salvage:

Salvage and scrap values are as follows:

| | |
|---|---|
| Rail (Relay) | 21.50 per gross ton |
| " (Scrap) | 12.00 " " " |
| Switch Material | .50 " Cwt. |
| Angle Bars (Relay) | 1.00 " " |
| " " (Scrap) | .50 " " |
| Other Fastenings, except Spikes | .50 " " |
| Shop Machinery | 10.00 " net ton |
| Locomotives and metal parts of cars | 10.00 " " " |
| Structural Bridge Steel | 8.00 " " " |

(e) Material Yard Expenses:

Material yard expense has been allowed as follows:

| | |
|---|---|
| Rail | $ .50 per gross ton |
| Other Track Material | .50 " net ton |
| Cross ties | .03 each |
| Switch and Bridge Ties | 1.00 per M. B. M. |

[folio 363]

Grand Summary

Saint Louis and O'Fallon Railway Company

Summary of Costs of Common Carrier Property, Owned or Used, Exclusive of Account 2, Land

| | Main track miles | All track miles | Reproduction cost new | Reproduction cost less depreciation | Ratio reproduction cost less depreciation to reproduction cost new |
|---|---|---|---|---|---|
| Wholly owned and used | 8.939 | 20.318 | $936,732 | $658,531 | 70 |
| Grand total owned | 8.939 | 20.318 | 936,732 | 658,531 | 70 |
| Grand total used | 8.939 | 20.318 | 936,732 | 658,531 | 70 |

[Folio 364]

Interstate Commerce Commission, Bureau of Valuation

Summary Sheet

Wholly Owned and Used

B. V. Form No. 563.
Owner: Saint Louis and O'Fallon Railway Company.
Operating Company: do
Division: ; State: Illinois.
Valuation Section No. 1ABC–Ill.
From East St. Louis to O'Fallon Mine #2.
8.939 Miles Main Line, 20.318 Miles all Tracks.*
Date of Inventory: As of Dec. 31, 1920.
Date Compiled: Sept. 25, 1924.
Compiled by: J. E. B.
Correct: Louis Hood, Report Engineer.
Approved: Carl C. Witt, Supervising Engineer.

| R. and E. account number | Classes | Original cost to date | Cost of reproduction | | R. and E. account number | Remarks |
|---|---|---|---|---|---|---|
| | | | New | Less depreciation | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| | I. Road | | | | | |
| 1 | Engineering | | $16,088 | $16,088 | 1 | Prices as of 1914. |
| 2 | Land for transportation purposes | | | | 2 | |
| 3 | Grading | | 119,102 | 118,680 | 3 | For details see engineering report upon the Saint Louis and O'Fallon Railway Company as of June 30, 1919, and for details of adjustments to date see carrier's return to Valuation Order No. 3. |
| 4 | Underground power tubes | | | | 4 | |
| 5 | Tunnels and subways | | | | 5 | |
| 6 | Bridges, trestles, and culverts | | 27,383 | 24,219 | 6 | |
| 7 | Elevated structures | | | | 7 | |
| 8 | Ties | | 43,981 | 23,030 | 8 | |
| 9 | Rails | | 68,115 | 57,621 | 9 | |
| 10 | Other track material | | 17,009 | 10,900 | 10 | |
| 11 | Ballast | | 19,468 | 9,735 | 11 | |
| 12 | Track laying and surfacing | | 35,841 | 24,372 | 12 | |
| 13 | Right-of-way fences | | 43 | 22 | 13 | |
| 14 | Snow and sand fences and snowsheds | | | | 14 | |
| 15 | Crossings and signs | | 1,155 | 655 | 15 | |
| 16 | Station and office buildings | | 7,444 | 4,896 | 16 | |
| 17 | Roadway buildings | | 963 | 708 | 17 | |
| 18 | Water stations | | 1,927 | 1,195 | 18 | |
| 19 | Fuel stations | | | | 19 | |
| 20 | Shops and engine houses | | 38,903 | 35,930 | 20 | |
| 21 | Grain elevators | | | | 21 | |
| 22 | Storage warehouses | | | | 22 | |
| 23 | Wharves and docks | | | | 23 | |
| 24 | Coal and ore wharves | | | | 24 | |
| 25 | Gas producing plants | | | | 25 | |
| 26 | Telegraph and telephone lines | | 3,248 | 1,441 | 26 | |
| 27 | Signals and interlockers | | | | 27 | |
| 28 | Power dams, canals, and pipe lines | | | | 28 | |
| 29 | Power plant buildings | | | | 29 | |
| 30 | Power substation buildings | | | | 30 | |
| 31 | Power transmission systems | | | | 31 | |

| | | | | |
|---|---|---|---|---|
| 32 | Power distribution systems | 19 | 17 | 32 |
| 33 | Power line poles and fixtures | 9 | 8 | 33 |
| 34 | Underground conduits | | | 34 |
| 35 | Miscellaneous structures | | | 35 |
| 36 | Paving | | | 36 |
| 37 | Roadway machines | 306 | 261 | 37 |
| 38 | Roadway small tools | 100 | 50 | 38 |
| 39 | Assessments for public improvements | | | 39 |
| 40 | Revenues and operating expenses during const | | | 40 |
| 41 | Cost of road purchased | | | 41 |
| 42 | Reconstruction of road purchased | | | 42 |
| 43 | Other expenditures—Road | | | 43 |
| 44 | Shop machinery | 17,106 | 12,208 | 44 |
| 45 | Power plant machinery | | | 45 |
| 46 | Power substation apparatus | | | 46 |
| 47 | Unapplied construction material and supplies | | | 47 |
| | Total, 1 to 47, inclusive | $418,300 | $342,126 | |
| | II. Equipment: | | | |
| 51 | Steam locomotives | $56,539 | $40,345 | 51 |
| 52 | Other locomotives | | | 52 |
| 53 | Freight-train cars | 422,390 | 246,247 | 53 |
| 54 | Passenger-train cars | 5,326 | 4,112 | 54 |
| 55 | Motor equipment of cars | | | 55 |
| 56 | Floating equipment | | | 56 |
| 57 | Work equipment | 2,851 | 1,488 | 57 |
| 58 | Miscellaneous equipment | 750 | 750 | 58 |
| | Total, 51 to 58, inclusive | $487,656 | $292,942 | |

| R. and E. account number (1) | Classes (2) | Original cost to date (3) | Cost of reproduction: New (4) | Cost of reproduction: Less depreciation (5) | R. and E. account number (6) | Remarks (7) |
|---|---|---|---|---|---|---|
| | III. General Expenditures. | | | | | |
| 71 | Organization expenses | | | | 71 | |
| 72 | General officers and clerks | | | | 72 | |
| 73 | Law | | | | 73 | |
| 74 | Stationery and printing | | 6,275 | 5,146 | 74 | |
| 75 | Taxes | | | | 75 | |
| 77 | Other expenditures—General | | | | 77 | |
| 76 | Interest during construction | | 24,301 | 18,317 | 76 | |
| | Total, 71 to 77, inclusive | | 30,576 | 23,463 | | |
| | Grand total, 1 to 77, inclusive | | $936,732 | $658,531 | | |
| | Grand total—Other | | | | | |

Form approved, Oct. 7, 1916.

*State mileage to thousandths.

[fol. 365] Washington, D. C., September 25, 1924.

Honorable C. F. Staples, Acting Director, Bureau of Valuation, Interstate Commerce Commission, Washington, D. C.

Dear Sir: I herewith transmit the report of the engineering section upon the Saint Louis and O'Fallon Railway Company, showing units as of December 31, 1921 with prices as of June 30, 1914.

Very respectfully,

Carl C. Witt, Supervising Engineer.

[fols. 366 & 367] Interstate Commerce Commission, Bureau of Valuation

Engineering Report Upon Saint Louis and O'Fallon Railway Company Showing Cost of Reproduction New and Cost of Reproduction Less Depreciation

Inventory as of December 31, 1921. Prices as of June 30, 1914

[fol. 368] Explanatory Text

Saint Louis and O'Fallon Railway Company

1. Description of Road

The Saint Louis and O'Fallon Railway Company was incorporated June 1, 1896, under the general laws of the State of Illinois.

This carrier owns and operates a single track, standard gauge railroad within the State of Illinois, extending from East St. Louis, easterly to O'Fallon Mine #2.

Under trackage right agreement, the East St. Louis & Suburban Railway, an electric line, operates over this carrier's tracks between French Village and Fairview, a distance of about 2.09 miles.

Connections are made with other carriers for the interchange of business as follows:

| | |
|---|---|
| East St. Louis | Alton and Southern Railroad. |
| " | Illinois Transfer Railroad Company. |
| " | Southern Railway Company. |
| " | East St. Louis & Suburban Railway. |
| Fairview | " " " " " |
| French Village | " " " " " |

## 2. Mileage and Valuation Sections

One valuation section has been established.

The mileage is as follows:

| | |
|---|---|
| Main Line | 8 939 |
| Yard Tracks and Sidings | 11 523 |
| Total All Tracks | 20 462 |

## 3. Characteristics of Country

The Country traversed by this road is flat or gently rolling, for the first five miles, the remainder being rolling. The soil is sandy and clay.

The land adjacent to the carrier's right of way is well developed agriculturally.

The principal business of this road is handling coal from the mines of the St. Louis & O'Fallon Coal Company to connecting carriers.

## 4. Road

The grading is comparatively heavy, averaging about 42,000 cubic yards per mile, and is common excavation with the exception of a small amount of solid rock.

There are seven metal bridges, six with I-beam spans, and one thru plate girder span, ranging from 20 to 78 feet in length, on concrete and timber abutments.

Cross ties, in main track, average about 3,000 to the mile and are mostly untreated white oak with a small percentage of creosoted red oak. The main track is laid chiefly with 85-pound new rail.

The track is ballasted with cinders.

## 5. Equipment

The equipment owned and used by this carrier consists of 5 steam locomotives, 592 freight-train cars, 7 passenger-train cars, 6 units of work equipment and 1 Buick automobile.

On equipment purchased second-hand the cost of reproduction less new herein is its second-hand reproduction cost. The cost of reproduction less depreciation for such

equipment was computed by applying a condition per cent of the property in its second cycle of use to its second-hand cost.

6. Engineering and General Expenditures

Account 1—Engineering:

Engineering has been estimated at 4 per cent upon Road Accounts 3 to 47 inclusive.

[fol. 369] Accounts 71 to 77—General Expenditures:

General Expenditures, Accounts 71 to 77, exclusive of Account 76, have been estimated at 1-½ per cent upon Road Accounts 1 to 47, exclusive of Account 2, Land.

Interest During Construction, Account 76, has been estimated at the rate of 6 per cent per annum, for one half the construction period, plus 3 months upon Road Accounts 1 to 47, exclusive of Account 2, Land, and upon General Expenditures, Accounts 71 to 77, exclusive of Account 76, and for 3 months upon Equipment Accounts 51 to 58, inclusive.

It has been estimated that a period of 10 months would be required for the construction of this carrier's property.

7. General Information

(a) Grading:

Grading has been computed upon the one-way basis with 500 feet free haul for team work and 5,000 feet for train work.

(b) Shrinkage:

On quantities inventoried as of June 30, 1919, ten per cent has been added to embankment and to ballast quantities for shrinkage.

(c) Waste:

The following percentages of actual quantities have been added for waste to quantities as of June 30, 1919. No additions have been made to adjustments filed by the carrier since that date:

| | |
|---|---|
| Spikes | 3 per cent |
| Bolts | 1 " |
| Angle Bars | 2 " |

(d) Salvage:

Salvage and scrap values are as follows:

| | | | |
|---|---|---|---|
| Rail (Relay) | $21.50 | per gross | ton. |
| " (Scrap) | 12.00 | " " | " |
| Switch Material | .50 | " cwt. | |
| Angle Bars (Relay) | 1.00 | " " | |
| Other Fastenings, except Spikes | .50 | " " | |
| Shop machinery | 10.00 | " net | ton. |
| Locomotives and metal parts of cars | 10.00 | " " | " |
| Structural Bridge Steel | 8.00 | " " | " |

(e) Material Yard Expenses:

Material yard expense has been allowed as follows:

| | | | |
|---|---|---|---|
| Rail | $ .50 | per gross | ton. |
| Other Track Material | .50 | " net | ton. |
| Cross ties | .03 | each | |
| Switch and Bridge ties | 1.00 | per M. B. M. | |

[fol. 370]

Grand Summary

Saint Louis and O'Fallon Railway Company

Summary of Costs of Common Carrier Property, Owned or Used, Exclusive of Account 2, Land

| | Main track miles | All track miles | Reproduction cost new | Reproduction cost less depreciation | Ratio reproduction cost less depreciation to reproduction cost new |
|---|---|---|---|---|---|
| Wholly owned and used | 8.939 | 20.462 | $950,553 | $692,923 | 73 |
| Grand total owned | 8.939 | 20.462 | 950,553 | 692,923 | 73 |
| Grand total used | 8.939 | 20.462 | 950,553 | 692,923 | 73 |

[fol. 371]

Interstate Commerce Commission, Bureau of Valuation

Summary Sheet

Wholly Owned and Used

B. V. Form No. 563.
Owner: Saint Louis and O'Fallon Railway Company.
Operating Company: do
Division: .....; State: Illinois.
Valuation Section No. 1ABC-III.
From East St. Louis to O'Fallon Mine #2.
8.939 Miles Main Line, 20.462 Miles all Tracks.*
Date of Inventory: As of Dec. 31, 1921.
Date Compiled: Sept. 25, 1924.
Compiled by: J. E. B.
Correct: Louis Hood, Report Engineer.
Approved: Carl C. Witt, Supervising Engineer.

| R. and E. account number | Classes | Original cost to date | Cost of reproduction | | R. and E. account number | Remarks |
|---|---|---|---|---|---|---|
| | | | New | Less depreciation | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| | I. Road: | | | | | |
| 1 | Engineering | $ | $16,168 | $16,168 | 1 | Prices as of 1914. |
| 2 | Land for transportation purposes | | | | 2 | |
| 3 | Grading | | 119,143 | 118,690 | 3 | For details see engineering report upon the Saint Louis and O'Fallon Railway Company as of June 30, 1919 and for details of adjustments to date see carrier's return to Valuation Order No. 3. |
| 4 | Underground power tubes | | | | 4 | |
| 5 | Tunnels and subways | | | | 5 | |
| 6 | Bridges, trestles, and culverts | | 27,383 | 23,823 | 6 | |
| 7 | Elevated structures | | | | 7 | |
| 8 | Ties | | 44,246 | 22,644 | 8 | |
| 9 | Rails | | 68,739 | 58,114 | 9 | |
| 10 | Other track material | | 17,289 | 10,790 | 10 | |
| 11 | Ballast | | 19,468 | 9,735 | 11 | |
| 12 | Track laying and surfacing | | 36,012 | 24,488 | 12 | |
| 13 | Right-of-way fences | | 43 | 22 | 13 | |
| 14 | Snow and sand fences and snowsheds | | | | 14 | |
| 15 | Crossings and signs | | 1,155 | 655 | 15 | |
| 16 | Station and office buildings | | 7,444 | 4,743 | 16 | |
| 17 | Roadway buildings | | 963 | 689 | 17 | |
| 18 | Water stations | | 1,927 | 1,137 | 18 | |
| 19 | Fuel stations | | | | 19 | |
| 20 | Shops and engine houses | | 38,958 | 35,207 | 20 | |
| 21 | Grain elevators | | | | 21 | |
| 22 | Storage warehouses | | | | 22 | |
| 23 | Wharves and docks | | | | 23 | |
| 24 | Coal and ore wharves | | | | 24 | |
| 25 | Gas producing plants | | | | 25 | |
| 26 | Telegraph and telephone lines | | 3,248 | 1,441 | 26 | |
| 27 | Signals and interlockers | | | | 27 | |
| 28 | Power dams, canals, and pipe lines | | | | 28 | |
| 29 | Power plant buildings | | | | 29 | |

| | | | | |
|---|---|---|---|---|
| 30 | Power substation buildings | | | 30 |
| 31 | Power transmission systems | | | 31 |
| 32 | Power distribution systems | 19 | 16 | 32 |
| 33 | Power line poles and fixtures | 9 | 7 | 33 |
| 34 | Underground conduits | | | 34 |
| 35 | Miscellaneous structures | | | 35 |
| 36 | Paving | | | 36 |
| 37 | Roadway machines | 709 | 544 | 37 |
| 38 | Roadway small tools | 100 | 50 | 38 |
| 39 | Assessments for public improvements | | | 39 |
| 40 | Revenues and operating expenses during const | | | 40 |
| 41 | Cost of road purchased | | | 41 |
| 42 | Reconstruction of road purchased | | | 42 |
| 43 | Other expenditures—Road | | | 43 |
| 44 | Shop machinery | 17,436 | 11,969 | 44 |
| 45 | Power plant machinery | | | 45 |
| 46 | Power substation apparatus | | | 46 |
| 47 | Unapplied construction material and supplies | | | 47 |
| | Total, 1 to 47, inclusive | $420,379 | $340,932 | |
| | II. Equipment: | | | |
| 51 | Steam locomotives | 57,164 | 38,864 | 51 |
| 52 | Other locomotives | | | 52 |
| 53 | Freight-train cars | 432,558 | 282,421 | 53 |
| 54 | Passenger-train cars | 6,326 | 3,852 | 54 |
| 55 | Motor equipment of cars | | | 55 |
| 56 | Floating equipment | | | 56 |
| 57 | Work equipment | 2,551 | 1,257 | 57 |
| 58 | Miscellaneous equipment | 1,722 | 1,722 | 58 |
| | Total, 51 to 58, inclusive | $499,311 | $328,116 | |

Summary Sheet—Continued

| R. and E. account number (1) | Classes (2) | Original cost to date (3) | Cost of reproduction New (4) | Cost of reproduction Less depreciation (5) | R. and E. account number (6) | Remarks (7) |
|---|---|---|---|---|---|---|
| | III. General Expenditures: | | | | | |
| 71 | Organization expenses | | | | 71 | |
| 72 | General officers and clerks | | | | 72 | |
| 73 | Law | | 6,306 | 5,108 | 73 | |
| 74 | Stationery and printing | | | | 74 | |
| 75 | Taxes | | | | 75 | |
| 76 | Interest during construction | | 24,557 | 18,767 | 76 | |
| 77 | Other expenditures—General | | | | 77 | |
| | Total, 71 to 77, inclusive | | 30,863 | 23,875 | | |
| | Grand total, 1 to 77, inclusive | | $950,553 | $692,923 | | |
| | Grand total—Other | | | | | |

From approved, Oct. 7, 1916.

*State mileage to thousandths.

[fol. 372] Washington, D. C., September 25, 1924.

Honorable C. F. Staples, Acting Director, Bureau of Valuation, Interstate Commerce Commission, Washington, D. C.

Dear Sir: I herewith transmit the report of the engineering section upon the Saint Louis and O'Fallon Railway Company, showing units as of December 31, 1922, with prices as of June 30, 1914.

Very respectfully, Carl C. Witt, Supervising Engineer.

[fol. 373 & 374] Interstate Commerce Commission, Bureau of Valuation

Engineering Report Upon Saint Louis and O'Fallon Railway Company, Showing Cost of Reproduction New and Cost of Reproduction Less Depreciation

Inventory as of December 31, 1922. Prices as of June 30, 1914

[fol. 375] Explanatory Text

Saint Louis and O'Fallon Railway Company

1. Description of Road

The Saint Louis and O'Fallon Railway Company was incorporated June 1, 1896, under the general laws of the State of Illinois.

This carrier owns and operates a single track standard guage railroad within the State of Illinois, extending from East St. Louis, easterly to O'Fallon Mine #2.

Under trackage right agreement, the East St. Louis & Suburban Railway, an electric line, operates over this carrier's tracks between French Village and Fairview, a distance of about 2.09 miles.

Connections are made with other carriers for the interchange of business as follows:

| | |
|---|---|
| East St. Louis | Alton and Southern Railroad |
| " | Illinois Transfer Railroad Company |
| " | Southern Railway Company |
| " | East St. Louis & Suburban Railway |
| Fairview | " " " " " |
| French Village | " " " " " |

2. Mileage and Valuation Sections

One valuation section has been established.

The mileage is as follows:

| | |
|---|---|
| Main Line | 8.939 |
| Yard Tracks and Sidings | 11.523 |
| Total All Tracks | 20.462 |

3. Characteristics of Country

The country traversed by this road is flat or gently rolling, for the first five miles, the remainder being rolling. The soil is sandy and clay.

The land adjacent to the carrier's right of way is well developed agriculturally.

The principal business of this road is handling coal from the mines of the St. Louis & O'Fallon Coal Company to connecting carriers.

4. Road

The grading is comparatively heavy, averaging about 42,000 cubic yards per mile, and is common excavation with the exception of a small amount of solid rock.

There are seven metal bridges, six with I-beam spans and one thru plate girder span, ranging from 20 to 78 feet in length, on concrete and timber abutments.

Cross ties, in main track, average about 3,000 to the mile and are mostly untreated white oak with a small percentage of creosoted red oak. The main track is laid chiefly with 85-pound new rail.

The track is ballasted with cinders.

5. Equipment

The equipment owned and used by this carrier consists of 5 steam locomotives, 592 freight-train cars, 7 passenger-

train cars, 6 units of work equipment and 1 Buick Automobile.

On equipment purchased second-hand the cost of reproduction new herein is its second-hand reproduction cost. The cost of reproduction less depreciation for such equipment was computed by applying a condition per cent of the property in its second cycle of use to its second-hand cost.

[fol. 376] 6. Engineering and General Expenditures.

Account 1, Engineering:

Engineering has been estimated at 4 per cent upon Road Accounts 3 to 47, inclusive.

Accounts 71 to 77, General Expenditures:

General Expenditures, Accounts 71 to 77, exclusive of Accounts 76, have been estimated at 1½ per cent upon Road Accounts 1 to 47, exclusive of Account 2, Land.

Interest During Construction, Account 76, has been estimated at the rate of 6 per cent per annum, for one half the construction period, plus 3 months upon Road Accounts 1 to 47, exclusive of Account 2, Land and upon General Expenditures, Accounts 71 to 77, exclusive of Account 76, and for 3 months upon Equipment Accounts 51 to 58, inclusive.

It has been estimated that a period of 10 months would be required for the construction of this carrier's property.

7. General Information

(a) Grading:

Grading has been computed upon the one-way basis with 500 feet free haul for team work and 5,000 feet for train work.

(b) Shrinkage:

On quantities inventoried as of June 30, 1919, ten per cent has been added to embankment and to ballast quantities for shrinkage.

(c) Waste:

The following percentages of actual quantities have been added for waste to quantities as of June 30, 1919. No additions have been made to adjustments filed by the carrier since that date.

| | |
|---|---|
| Spikes | 3 per cent |
| Bolts | 1 per cent |
| Angle Bars | 2 per cent |

(d) Salvage:

Salvage and scrap values are as follows:

| | |
|---|---|
| Rail (Relay) | $21.50 per gross ton |
| Rail (Scrap) | 12.00 per gross ton |
| Switch Material | .50 per cwt. |
| Angle Bars (Relay) | 1.00 per cwt. |
| Angle Bars (Scrap) | .50 per cwt. |
| Other Fastenings, except spikes | .50 per cwt. |
| Shop Machinery | 10.00 per net ton |
| Locomotive and metal parts of cars | 10.00 per net ton |
| Structural Bridge Steel | 8.00 per net ton |

(e) Material Yard Expense:

Material yard expense has been allowed as follows:

| | |
|---|---|
| Rail | $ .50 per gross ton |
| Other Track Material | .50 per net ton |
| Cross ties | .03 each |
| Switch and Bridge Ties | $1.00 per M. B. M. |

[fol. 377]

Grand Summary

Saint Louis and O'Fallon Railway Company

Summary of Costs of Common Carrier Property, Owned or Used, Exclusive of Account 2, Land

| | Main track miles | All track miles | Reproduction cost new | Reproduction cost less depreciation | Ratio reproduction cost less depreciation to reproduction cost new |
|---|---|---|---|---|---|
| Wholly owned and used | 8.939 | 20.462 | $951,974 | $674,769 | 71 |
| Grand total owned | 8.939 | 20.462 | 951,974 | 674,769 | 71 |
| Grand total used | 8.939 | 20.462 | 951,974 | 674,769 | 71 |

[fol. 378]

Interstate Commerce Commission, Bureau of Valuation

Summary Sheet

Wholly Owned and Used

B. V. Form No. 563.
Owner: Saint Louis and O'Fallon Railway Company.
Operating Company: do
Division: . . . . . ; State: Illinois.
Valuation Section No. 1ABC-Ill.
From East St. Louis to O'Fallon Mine #2.
8.939 Miles Main Line, 20.318 Miles all Tracks.*
Date of Inventory: As of Dec. 31, 1920.
Date Compiled: Sept. 25, 1924.
Compiled by: J. E. B.
Correct: Louis Hood, Report Engineer.
Approved: Carl C. Witt, Supervising Engineer.

Summary Sheet—Continued

| R. and E. account number | Classes | Original cost to date | Cost of reproduction | | R. and E. account number | Remarks |
|---|---|---|---|---|---|---|
| | | | New | Less depreciation | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| | 1 Road: | | | | | |
| 1 | Engineering | | $16,194 | $16,194 | 1 | Prices as of 1914. |
| 2 | Land for transportation purposes | | | | 2 | |
| 3 | Grading | | 119,143 | 118,656 | 3 | For details see engineering report upon the Saint Louis and O'Fallon Railway Company as of June 30, 1919, and for details of adjustment to date see carrier's return to Valuation Order No. 3. |
| 4 | Underground power tubes | | | | 4 | |
| 5 | Tunnels and subways | | | | 5 | |
| 6 | Bridges, trestles, and culverts | | 27,383 | 23,549 | 6 | |
| 7 | Elevated structures | | | | 7 | |
| 8 | Ties | | 44,246 | 22,124 | 8 | |
| 9 | Rails | | 68,739 | 57,357 | 9 | |
| 10 | Other track material | | 17,209 | 10,658 | 10 | |
| 11 | Ballast | | 19,468 | 9,735 | 11 | |
| 12 | Track laying and surfacing | | 36,012 | 24,128 | 12 | |
| 13 | Right-of-way fences | | 43 | 22 | 13 | |
| 14 | Snow and sand fences and snowsheds | | | | 14 | |
| 15 | Crossing and signs | | 1,155 | 655 | 15 | |
| 16 | Station and office buildings | | 7,740 | 4,886 | 16 | |
| 17 | Roadway buildings | | 1,073 | 779 | 17 | |
| 18 | Water stations | | 1,927 | 1,079 | 18 | |
| 19 | Fuel stations | | | | 19 | |
| 20 | Shops and engine houses | | 38,958 | 34,427 | 20 | |
| 21 | Grain elevators | | | | 21 | |
| 22 | Storage warehouses | | | | 22 | |
| 23 | Wharves and docks | | | | 23 | |
| 24 | Coal and ore wharves | | | | 24 | |
| 25 | Gas producing plants | | | | 25 | |
| 26 | Telegraph and telephone lines | | 3,248 | 1,441 | 26 | |
| 27 | Signals and interlockers | | | | 27 | |
| 28 | Power dams, canals, and pipe lines | | | | 28 | |

| | | | | | |
|---|---|---|---|---|---|
| 29 | Power plant buildings | | | | 29 |
| 30 | Power substation buildings | | | | 30 |
| 31 | Power transmission systems | | | | 31 |
| 32 | Power distribution systems | 19 | 15 | | 32 |
| 33 | Power line poles and fixtures | 9 | 7 | | 33 |
| 34 | Underground conduits | | | | 34 |
| 35 | Miscellaneous structures | | | | 35 |
| 36 | Paving | | | | 36 |
| 37 | Roadway machines | 952 | 735 | | 37 |
| 38 | Roadway small tools | 100 | 50 | | 38 |
| 39 | Assessments for public improvements | | | | 39 |
| 40 | Revenues and operating expenses during const. | | | | 40 |
| 41 | Cost of road purchased | | | | 41 |
| 42 | Reconstruction of road purchased | | | | 42 |
| 43 | Other expenditures—Road | | | | 43 |
| 44 | Shop machinery | 17,435 | 11,618 | | 44 |
| 45 | Power plant machinery | | | | 45 |
| 46 | Power substation apparatus | | | | 46 |
| 47 | Unapplied construction material and supplies | | | | 47 |
| | Total, 1 to 47, inclusive | $421,054 | $338,115 | | |
| | II. Equipment: | | | | |
| 51 | Steam locomotives | $57,154 | $36,749 | | 51 |
| 52 | Other locomotives | | | | 52 |
| 53 | Freight-train cars | 432,558 | 269,212 | | 53 |
| 54 | Passenger-train cars | 5,326 | 3,592 | | 54 |
| 55 | Motor equipment of cars | | | | 55 |
| 56 | Floating equipment | | | | 56 |
| 57 | Work equipment | 2,551 | 1,227 | | 57 |
| 58 | Miscellaneous equipment | 2,420 | 2,420 | | 58 |
| | Total, 51 to 58, inclusive | $500,009 | $313,200 | | |

Summary Sheet—Continued

| R. and E. account number (1) | Classes (2) | Original cost to date (3) | Cost of reproduction New (4) | Cost of reproduction Less depreciation (5) | R. and E. account number (6) | Remarks (7) |
|---|---|---|---|---|---|---|
| | III. General Expenditures: | | | | | |
| 71 | Organization expenses | | | | 71 | |
| 72 | General officers and clerks | | | | 72 | |
| 73 | Law | | 6,316 | 5,053 | 73 | |
| 74 | Stationery and printing | | | | 74 | |
| 75 | Taxes | | | | 75 | |
| 77 | Other expenditures—General | | | | 77 | |
| 76 | Interest during construction | | 24,595 | 18,401 | 76 | |
| | Total, 71 to 77, inclusive | | 30,911 | 23,454 | | |
| | Grand total, 1 to 77, inclusive | | $951,974 | $674,769 | | |
| | Grand total—Other | | | | | |

Form approved, Oct. 7, 1916.

*State mileage to thousandths.

[fol. 379] Washington, D. C., September 25, 1924.

Honorable C. F. Staples, Acting Director, Bureau of Valuation, Interstate Commerce Commission, Washington, D. C.

Dear Sir: I herewith transmit the report of the engineering section upon the Saint Louis and O'Fallon Railway Company, showing units as of December 31, 1923, with prices as of June 30, 1914.

Very respectfully, Carl C. Witt, Supervising Engineer.

[fols. 380 & 381] Interstate Commerce Commission, Bureau of Valuation

Engineering Report upon Saint Louis and O'Fallon Railway Company, Showing Cost of Reproduction New and Cost of Reproduction Less Depreciation

Inventory as of December 31, 1923. Prices as of June 30, 1914

[fol. 382] Explanatory Text

Saint Louis and O'Fallon Railway Company

1. Description of Road

The Saint Louis and O'Fallon Railway Company was incorporated June 1, 1896, under the general laws of the State of Illinois.

This carrier owns and operates a single track, standard gauge railroad within the State of Illinois extending from East St. Louis, easterly to O'Fallon Mine #2.

Under trackage right agreement, the East St. Louis & Suburban Railway, an electric line, operates over this carrier's tracks between French Village and Fairview, a distance of about 2.09 miles.

Connections are made with other carriers for the interchange of business as follows:

| | |
|---|---|
| East Louis | Alton and Southern Railroad |
| " | Illinois Transfer Railroad Company |
| " | Southern Railway Company |
| " | East St. Louis & Suburban Railway |
| Fairview | " " " " " |
| French Village | " " " " " |

## 2. Mileage and Valuation Sections

One valuation section has been established.

The mileage is as follows:

| | |
|---|---|
| Main Line | 8 939 |
| Yard Tracks and Sidings | 11 667 |
| Total All Tracks | 20 606 |

## 3. Characteristics of Country

The country traversed by this road is flat or gently rolling, for the first five miles, the remainder being rolling. The soil is sandy and clay.

The land adjacent to the carrier's right of way is well developed agriculturally.

The principal business of this road is handling coal from the mines of the St. Louis & O'Fallon Coal Company to connecting carriers.

## 4. Road

The grading is comparatively heavy, averaging about 42,000 cubic yards per mile, and is common excavation with the exception of a small amount of solid rock.

There are seven metal bridges, six with I-beam spans and one thru plate girder span, ranging from 20 to 78 feet in length, on concrete and timber abutments.

Cross ties, in main track, average about 3,000 to the mile and are mostly untreated white oak with a small percentage of creosoted red oak. The main track is laid chiefly with 85-pound new rail.

The track is ballasted with cinders.

## 5. Equipment

The equipment owned and used by this carrier consists of 3 steam locomotives, 592 freight-train cars, 7 passenger-train cars, 6 units of work equipment and 1 Buick Automobile.

On equipment purchased second-hand the cost of reproduction new herein is its second-hand reproduction cost. The cost of reproduction less depreciation for such equipment was computed by applying a condition per cent of the property in its second cycle of use to its second-hand cost.

## 6. Engineering and General Expenditures

Account 1, Engineering:

Engineering has been estimated at 4 per cent upon Road Accounts 3 to 47 inclusive.

[fol. 383] Accounts 71 to 77, General Expenditures

General Expenditures, Account 71 to 77, exclusive of Account 76, have been estimated at 1½ per cent upon Road Accounts 1 to 47, exclusive of Account 2, Land.

Interest During Construction, Account 76, has been estimated at the rate of 6 per cent per annum, for one-half the construction period, plus 3 months upon Road Accounts 1 to 47, exclusive of Account 2, Land, and upon General Expenditures, Accounts 71 to 77, exclusive of Account 76, and for 3 months upon Equipment Accounts 51 to 58, inclusive.

It has been estimated that a period of 10 months would be required for the construction of this carrier's property.

## 7. General Information

(a) Grading:

Grading has been computed upon the one-way basis with 500 feet free haul for team work and 5,000 feet for train work.

(b) Shrinkage:

On quantities inventoried as of June 30, 1919, ten per cent has been added to embankment and to ballast quantities for shrinkage.

(c) Waste:

The following percentage of actual quantities have been added for waste to quantities as of June 30, 1919. No additions have been made to adjustments filed by the carrier since that date.

| | |
|---|---|
| Spikes | 3 per cent |
| Bolts | 1 " " |
| Angle Bars | 2 " " |

(d) Salvage:

Salvage and scrap values are as follows:

| | |
|---|---|
| Rail (Relay) | $21 50 per gross ton |
| " (Scrap) | 12 00 " " " |
| Switch material | 50 " cwt. |
| Angle Bars (Relay) | 1 00 " " |
| " " (Scrap) | 50 " " |
| Other Fastenings, except Spikes | 50 " " |
| Shop Machinery | 10 00 per net ton |
| Locomotives and metal parts of cars | 10 00 " " " |
| Structural Bridge Steel | 8 00 " " " |

(e) Material Yard Expenses:

Material yard expense has been allowed as follows:

| | |
|---|---|
| Rail | $ 50 per gross ton |
| Other Track Material | 50 per net ton |
| Cross ties | 03 each |
| Switch and Bridge Ties | 1 00 per M.B.M. |

[folio 384]

Grand Summary

Saint Louis and O'Fallon Railway Company

Summary of Costs of Common Carrier Property, Owned or Used, Exclusive o f Account 2, Land

| | Main track miles | All track miles | Reproduction cost new | Reproduction cost less depreciation | Ratio reproduction cost less depreciation to reproduction cost new |
|---|---|---|---|---|---|
| Wholly owned and used | 8.939 | 20.606 | $940,708 | $645,466 | 69 |
| Grand total owned | 8.939 | 20.606 | 940,708 | 645,466 | 69 |
| Grand total used | 8.939 | 20.606 | 940,708 | 645,466 | 69 |

[fol. 385]

Interstate Commerce Commission, Bureau of Valuation

Summary Sheet

Wholly Owned and Used

B. V. Form No. 563.
Owner: Saint Louis and O'Fallon Railway Company.
Operating Company: do
Division: .....; State: Illinois.
Valuation Section No. 1ABC–Ill.
From East St. Louis to O'Fallon Mine #2.
8.939 Miles Main Line, 20.606 Miles all Tracks.*
Date of Inventory: As of Dec. 31, 1920.
Date Compiled: Sept. 25, 1924.
Compiled by: J. E. B.
Correct: Louis Hood, Report Engineer.
Approved: Carl C. Witt, Supervising Engineer.

Summary Sheet—Continued

| R. and E. account number | Classes | Original cost to date | Cost of reproduction | | R. and E. account number | Remarks |
|---|---|---|---|---|---|---|
| | | | New | Less depreciation | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| | I. Road | | | | | |
| 1 | Engineering | $ | $16,301 | $16,301 | 1 | Prices as of 1914. |
| 2 | Land for transportation purposes | | | | 2 | |
| 3 | Grading | | 119,168 | 118,647 | 3 | For details see engineering report upon the Saint Louis and O'Fallon Railway Company as of June 30, 1919 and for details of adjustments to date, see carriers return to Valuation Order No 3. |
| 4 | Underground power tubes | | | | 4 | |
| 5 | Tunnels and subways | | | | 5 | |
| 6 | Bridges, trestles, and culverts | | 27,383 | 23,276 | 6 | |
| 7 | Elevated structures | | | | 7 | |
| 8 | Ties | | 44,592 | 22,297 | 8 | |
| 9 | Rails | | 69,143 | 67,228 | 9 | |
| 10 | Other track material | | 17,533 | 10,752 | 10 | |
| 11 | Ballast | | 19,498 | 9,750 | 11 | |
| 12 | Track laying and surfacing | | 30,216 | 23,903 | 12 | |
| 13 | Right-of-way fences | | 43 | 22 | 13 | |
| 14 | Snow and sand fences and snowsheds | | | | 14 | |
| 15 | Crossings and signs | | 1,155 | 655 | 15 | |
| 16 | Station and office buildings | | 7,803 | 4,790 | 16 | |
| 17 | Roadway buildings | | 1,073 | 758 | 17 | |
| 18 | Water stations | | 1,927 | 1,021 | 18 | |
| 19 | Fuel stations | | | | 19 | |
| 20 | Shops and engine houses | | 38,958 | 33,648 | 20 | |
| 21 | Grain elevators | | | | 21 | |
| 22 | Storage warehouses | | | | 22 | |
| 23 | Wharves and docks | | | | 23 | |
| 24 | Coal and ore wharves | | | | 24 | |
| 25 | Gas producing plants | | | | 25 | |
| 26 | Telegraph and telephone lines | | 3,248 | 1,441 | 26 | |
| 27 | Signals and interlockers | | | | 27 | |
| 28 | Power dams, canals, and pipe lines | | | | 28 | |

| | | | | |
|---|---|---|---|---|
| 29 | Power plant buildings | | | 29 |
| 30 | Power substation buildings | | | 30 |
| 31 | Power transmission systems | | | 31 |
| 32 | Power distribution systems | 19 | 15 | 32 |
| 33 | Power line poles and fixtures | 9 | 7 | 33 |
| 34 | Underground conduits | | | 34 |
| 35 | Miscellaneous structures | | | 35 |
| 36 | Paving | | | 36 |
| 37 | Roadway machines | 1,506 | 1,220 | 37 |
| 38 | Roadway small tools | 100 | 50 | 38 |
| 39 | Assessments for public improvements | | | 39 |
| 40 | Revenues and operating expenses during const | | | 40 |
| 41 | Cost of road purchased | | | 41 |
| 42 | Reconstruction of road purchased | | | 42 |
| 43 | Other expenditures—Road | | | 43 |
| 44 | Shop machinery | 18,159 | 11,669 | 44 |
| 45 | Power plant machinery | | | 45 |
| 46 | Power substation apparatus | | | 46 |
| 47 | Unapplied construction material and supplies | | | 47 |
| | Total, 1 to 47, inclusive | $423,834 | $337,450 | |
| | II. Equipment: | | | |
| 51 | Steam locomotives | $43,163 | $22,908 | 51 |
| 52 | Other locomotives | | | 52 |
| 53 | Freight-train cars | 432,558 | 255,368 | 53 |
| 54 | Passenger-train cars | 5,326 | 3,331 | 54 |
| 55 | Motor equipment of cars | | | 55 |
| 56 | Floating equipment | | | 56 |
| 57 | Work equipment | 2,551 | 1,197 | 57 |
| 58 | Miscellaneous equipment | 2,420 | 2,059 | 58 |
| | Total, 51 to 58, inclusive | $488,018 | $284,863 | |

| R. and E. account number (1) | Classes (2) | Original cost to date (3) | Cost of reproduction: New (4) | Cost of reproduction: Less depreciation (5) | R. and E. account number (6) | Remarks (7) |
|---|---|---|---|---|---|---|
| | III. General Expenditures: | | | | | |
| 71 | Organization expenses | | | | 71 | |
| 72 | General officers and clerks | | | | 72 | |
| 73 | Law | | | | 73 | |
| 74 | Stationery and printing | | 6,358 | 5,086 | 74 | |
| 75 | Taxes | | | | 75 | |
| 77 | Other expenditures—General | | | | 77 | |
| 76 | Interest during construction | | 24,498 | 18,067 | 76 | |
| | Total, 71 to 77, inclusive | | 30,856 | 23,153 | | |
| | Grand total, 1 to 77, inclusive | | $940,708 | $645,466 | | |
| | Grand total—Other | | | | | |

Form approved, Oct. 7, 1916.

*State mileage to thousandths.

[fol. 386] STATEMENTS RE EXHIBITS 23 TO 30, INC. (MCENTEE)

Ex. 23 (McEntee)

Documents consisting of 6 pages, being statement of charges and credits for additions, betterments and retirements of property used subsequent to valuation date, June 30, 1917, applicable to the recapture period (10 months ended December 31, 1920) for Manufacturers' Railway Company (St. Louis), as prepared by Accounting Section of Commission's Bureau of Valuation.

Ex. 24 (McEntee)

Document consisting of 6 pages, being statement of charges and credits for additions, betterments and retirements of property used subsequent to valuation date, June 30, 1917, applicable to the recapture period (calendar year ended December 31, 1921) for Manufacturers' Railway Company (St. Louis), as prepared by Accounting Section of Commission's Bureau of Valuation.

Ex. 25 (McEntee)

Document consisting of 6 pages, being statement of charges and credits for additions, betterments and retirements of property used subsequent to valuation date, June 30, 1917, applicable to the recapture period (calendar year ended December 31, 1922) for Manufacturers' Railway Company (St. Louis), as prepared by Accounting Section of Commission's Bureau of Valuation.

Ex. 26 (McEntee)

Document consisting of 7 pages, being statement of charges and credits for additions, betterments and retirements of property used subsequent to valuation date, June 30, 1917, applicable to the recapture period (calendar year ended December 31, 1923) for Manufacturers' Railway Company (St. Louis), as prepared by Accounting Section of Commission's Bureau of Valuation.

[fol. 387] Ex. 27 (McEntee)

Document consisting of four pages, being statement for St. Louis and O'Fallon Railway Company of changes and credits for additions and betterments to, and retirements of, property subsequent to date of valuation, June 30, 1919, applicable to the recapture period (10 months ended December 31, 1920), as prepared by accounting section of Commission's Bureau of Valuation. The average net additions and betterments in service during the 10 months ended December 31, 1920, was $1,431.91. Balance of exhibit adequately summarized in oral testimony of witness.

Ex. 28 (McEntee)

Document consisting of four pages, being statement for St. Louis and O'Fallon Railway Company of charges and credits for additions and betterments to, and retirements of, property subsequent to date of valuation, June 30, 1919, applicable to the recapture period (calendar year ended December 31, 1921), as prepared by accounting section of Commission's Bureau of Valuation. The average net additions and betterments in service during the calendar year ended December 31, 1921, was $9,967.76. Balance of exhibit adequately summarized in oral testimony of witness.

Ex. 29 (McEntee)

Document consisting of four pages, being statement for St. Louis and O'Fallon Railway Company of charges and credits for additions and betterments to, and retirements of, property subsequent to date of valuation, June 30, 1919, applicable to the recapture period (calendar year ended December 31, 1922), as prepared by accounting section of [fol. 388] Commission's Bureau of Valuation. The average net additions and betterments in service during the calendar year ended December 31, 1922, was $539.11. Balance of exhibit adequately summarized in oral testimony of witness.

Ex. 30 (McEntee)

Document consisting of four pages, being statement for St. Louis and O'Fallon Railway Company of charges and credits for additions and betterments to, and retirements

of, property subsequently to date of valuation, June 30, 1919, applicable to the recapture period (calendar year ended December 31, 1923), as prepared by accounting section of Commission's Bureau of Valuation. The average net additions and betterments in service during the calendar year ended December 31, 1923, was a credit of $1,542.69. Balance of exhibit adequately summarized in oral testimony of witness.

STATEMENTS RE EXHIBITS 31 TO 34, INC. (FIELD)

Ex. 31 (Field)

Computation of average material and supplies for operation of Manufacturers' Railway Company (St. Louis), March 1, 1920, to December 31, 1923, by years.

Ex. 32 (Field)

Computation of average cash for operation of Manufacturers' Railway Company (St. Louis), March 1, 1920, to December 31, 1923, by years.

Ex. 33 (Field)

Comparison of delay in receipts with delay in payments for Manufacturers' Railway Company, March 1, 1920, to December 31, 1923, by years.

Ex. 34 (Field)

Computation of average delay in payment of taxes for Manufacturers' Railway Company (St. Louis), March 1, 1920, to December 31, 1923, by years.

[fol. 389]

Ex. 35 (Field)

Saint Louis and O'Fallon Railway Company

Comparison of Delay in Receipts with Delay in Payments

| Item | Ten months 1920 | Year 1921 | Year 1922 | Year 1923 |
|---|---|---|---|---|
| Delay in receipts | $1 19 | $3 59 | $3 72 | $3 51 |
| Delay in payments | 38 94 | 107 37 | 84 54 | 46 07 |
| Day's receipts in advance of payments | 37 75 | 103 78 | 80 83 | 42 56 |
| Average daily payments | 986 77 | 1,177 63 | 973 94 | 1,055 74 |
| Average daily excess of receipts over payments | 37,251 00 | 122,214 00 | 78,714 00 | 44,932 00 |

Ex. 36 (Field)

Saint Louis and O'Fallon Railway Company

Computation of Average Material and Supplies for Operation

| Item | Ten months of 1920 | Year 1921 | Year 1922 | Year 1923 |
|---|---|---|---|---|
| 1. Annual operating expenses | $404,082 | $307,794 | $283,484 | $354,759 |
| 2. Average monthly balance material and supplies | 78,500 | 82,752 | 41,094 | 47,329 |
| Deductions for nonusable stock | | | | |
| 3. Total scrap and obsolete material. Average amount of second-hand material reported by carrier | 1,112 | 1,144 | 831 | 340 |
| 4. Net usable stock (2 minus 3) | 77,388 | 81,608 | 40,263 | 46,989 |
| Deductions from usable stock for: | | | | |
| 5. Stock used for additions and betterments | | 30,848 | | 2,730 |
| 6. Usable stock carried for own operations (4 minus 5) | 77,388 | 50,760 | 40,263 | 44,259 |
| 7. Per cent of operating expenses (6 divided by 1) | 19 15 | 16 49 | 14 2 | 11 35 |

Ex. 37 (Field)

Saint Louis and O'Fallon Railway Company

Computation of Average Cash for Operations

| Item | Ten-months of 1920 | Year 1921 | Year 1922 | Year 1923 |
|---|---|---|---|---|
| 1. Annual operating expenses | $404,082 | $307,794 | $283,484 | $354,759 |
| 2. Average monthly balance cash on hand, including cash in transit | 40,830 | 43,131 | 90,291 | 52,836 |
| Non-operating demands: | | | | |
| Loans and bills payable discharged with cash | 10,000 | ..... | ..... | ..... |
| Unmatured interest accrued | 3,982 | 3,800 | 3,750 | 3,750 |
| Net traffic and car-service balance payable | 3,578 | 4,414 | 873 | 558 |
| 3. Total | 17,560 | 8,214 | 4,623 | 4,308 |
| Non-operating offets and sources of replenishment: | | | | |
| 4. Interest and dividends receivable | 3 | 17 | 40 | 3,867 |
| 5. Net non-operating demands (3—4) | 17,557 | 8,197 | 4,573 | 441 |
| 6. Cash on hand available for operations and additions and betterments and assistance to others (2—5) | 23,273 | 34,934 | 85,718 | 52,395 |
| Other deductions: | | | | |
| Part proportionate to cash held to finance additions and betterments (Note A) | 489 | 10,375 | 660 | 948 |
| Excess of principal amount equal to average annual interest received on deposits of cash capitalized at 6 per cent, over net non-operating demands on cash | ..... | ..... | 5,790 | 17,919 |
| Total | 489 | 10,375 | 6,450 | 18,867 |
| 7. Net other deductions | 489 | 10,375 | 6,450 | 18,867 |
| 8. Part available, but not necessarily all used, for operating purposes (6—7) | 22,784 | 24,559 | 79,268 | 33,528 |
| Per cent of average annual operating expenses (8 divided by 1) | 5.64 | 7.98 | 27.96 | 9.45 |

Note A.—If data are not reported by carrier, portion of item 6 is found by applying to item 6 the percentage that the expenditures from cash for additions and betterments were of the total expenditures from cash for both operating purposes and additions and betterments.

EX. 38 (FIELD)

Saint Louis and O'Fallon Railway Company

Computation of Delay in Freight Revenue

| Method of collection and class of waybilling | | Amount received | | Delay in receipt of amount Home movement | Dollar-day delay |
|---|---|---|---|---|---|
| Ten months of 1920 | | | | | |
| Directly at forwarding point: | | | | | |
| Local forwarded prepaid | (a) | 892,121 | (d) | 1.16 | 106,860 |
| Directly at destination of shipment: | | | | | |
| Local received collect | (b) | 487,761 | (e) | 1.2 | 585,313 |
| As a whole | | 579,882 | (n) | 1.19 | 692,173 |
| Year 1921 | | | | | |
| Directly at forwarding point: | | | | | |
| Local forwarded prepaid | (a) | 87,352 | (d) | 2.38 | 207,898 |
| Directly at destination of shipment: | | | | | |
| Local received collect | (b) | 510,837 | (e) | 3.6 | 1,941,181 |
| As a whole | | 598,189 | (n) | 3.59 | 2,149,079 |
| Year 1922 | | | | | |
| Directly at forwarding point: | | | | | |
| Local forwarded prepaid | (a) | 95,022 | (d) | 2.52 | 239,455 |
| Directly at destination of shipment: | | | | | |
| Local received collect | (b) | 401,481 | (e) | 4.0 | 1,605,924 |
| As a whole | | 496,503 | (n) | 3.72 | 1,845,379 |

Year 1923

| | | | | | |
|---|---|---|---|---|---|
| Directly at forwarding point: | | | | | |
| Local forwarded prepaid | (a) | 115,102 | (d) | 2.42 | 278,547 |
| Directly at destination of shipment: | | | | | |
| Local received collect | (b) | 428,124 | (e) | 3.8 | 1,626,871 |
| As a whole | | 543,226 | (n) | 3.51 | 1,905,418 |

(a) Prepayments.
(b) Freight charges, plus advances, minus prepayments.
(d) Time for home empty movement.
(e) Time for round of service minus time taken for unloading.
(n) Total dollar-days delay divided by total amount received.

[fol. 392]

EX. 37 (FIELD)

Saint Louis and O'Fallon Railway Company

Computation of Time for Round of Service, Loaded Movement and Empty Movement

| Item | Year 1920 | Year 1921 | Year 1922 | Year 1923 |
|---|---|---|---|---|
| 1. Tons of freight carried, both revenue and non-revenue, and including freight received from other carriers (An. Rept.) | 1,827,549 00 | 1,184,914 00 | 1,037,179 00 | 1,675,519 00 |
| 2. Ton-miles of freight, both revenue and non-revenue, (An. Rept.) | 14,721,008 00 | 9,846,452 00 | 8,209,137 00 | 8,956,079 00 |
| 3. Loaded freight car-miles (An. Rept.) | 263,429 00 | 186,462 00 | 164,840 00 | 170,717 00 |
| 4. Average load per car (2 divided by 3) | 55 88 | 52 81 | 49 80 | 52 46 |
| 5. Number of carloads per year (1 divided by 4) | 32,704 00 | 22,433 00 | 20,827 00 | 20,502 00 |
| 6. Average number of serviceable cars on line, excluding surplus cars (question 11) | 300 00 | 295 00 | 288 00 | 272 00 |
| 7. Average number of trips per car per year (5 divided by 6) | 163 00 | 76 00 | 72 00 | 75 00 |
| 8. Average time consumed per round of service, including time consumed in loading and unloading (365 divided by 7) | 2 2 | 4 8 | 5 0 | 4 8 |
| 9. Empty freight car-miles (An. Rept.) | 296,752 00 | 184,481 00 | 167,015 00 | 174,387 00 |
| 10. Total freight car miles (3 plus 9) | 560,181 00 | 370,943 00 | 331,855 00 | 345,104 00 |
| 11. Average time in empty movement, including time consumed in loading (9 divided by 10, multiplied by 8) | 1 16 | 2 38 | 2 52 | 2.42 |
| 12. Average time in loaded movement, including time consumed in unloading (3 divided by 10, multiplied by 8) | 1 04 | 2.42 | 2.48 | 2.38 |

[fol. 393]

Ex. 40 (Field

Saint Louis and O'Fallon Railway Company

Computation of average delay in payment of taxes

| Amount paid | When paid | Governmental fiscal period | Average months delay (a) | Dollar-months delay |
|---|---|---|---|---|
| Period: | | | | |
| Ten months to 12/31/1920: | | | | |
| $205 | Mar., 1920 | Fiscal year 1921 | 8 | 1,640 |
| 17,542 | Apr., 1920 | Calendar year 1919 | 9 | 157,878 |
| 4,000 | May, 1920 | " " 1919 | 10 | 40,000 |
| 1,075 | July, 1920 | Fiscal " 1921 | 6 | 6,450 |
| 7,567 | Dec., 1920 | Calendar " 1919 | 17 | 128,639 |
| 30,389 | | | | |
| Average months delay | | | 10.48 | 318,427 |
| Equivalent days delay | | | 314 | |
| Year 1921. | | | | |
| 21,000 | Feb., 1921 | Calendar year 1920 | 7 | 147,000 |
| 205 | Mar., 1921 | Fiscal " 1922 | 10 | 2,050 |
| 776 | Mar., 1921 | Calendar " 1920 | 8 | 6,208 |
| 18,601 | Apr., 1921 | " " 1920 | 9 | 167,409 |
| 21,000 | May, 1921 | " " 1920 | 10 | 210,000 |
| 1,395 | June, 1921 | Fiscal " 1922 | 7 | 9,765 |
| 20,646 | Aug., 1921 | Calendar " 1920 | 13 | 268,398 |
| 20,000 | Nov., 1921 | " " 1920 | 16 | 320,000 |
| 103,623 | | | | |
| Average months delay | | | 10.68 | 1,107,200 |
| Equivalent days delay | | | 320 | |

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| Amount paid | When paid | Governmental fiscal period | Average months delay (a) | Dollar-months delay |
|---|---|---|---|---|
| Year 1922 | | | | |
| 13,000 | Feb., 1922 | Year to 12/31/1921 | 7 | 91,000 |
| 24,206 | Mar., 1922 | " " 12/31/1921 | 8 | 194,128 |
| 205 | Mar., 1922 | " " 6/30/1923 | 10 | 2,050 |
| 13,000 | May, 1922 | " " 12/31/1921 | 10 | 130,000 |
| 1,471 | June, 1922 | " " 6/30/1923 | 7 | 10,297 |
| 12,958 | Aug., 1922 | " " 12/31/1921 | 13 | 168,454 |
| 12,958 | Nov., 1922 | " " 12/31/1921 | 16 | 207,328 |
| 77,856 | | | | |
| Average months delay | | | 10 | 778,563 |
| Equivalent days delay | | | 300 | |
| Year 1923 | | | | |
| 21,788 | Feb., 1923 | Year to 12/31/1922 | 7 | 152,516 |
| 27,461 | Mar., 1923 | " " 12/31/1922 | 8 | 219,688 |
| 205 | April, 1923 | " " 6/30/1924 | 9 | 1,845 |
| 1,320 | June, 1923 | " " 6/30/1924 | 7 | 9,240 |
| 4,284 | Aug., 1923 | Added tax 1917 to 1920 | 37 | 158,508 |
| 55,058 | | | | |
| Average months delay | | | 9.437 | 519,627 |
| Equivalent days delay | | | 283 | |

(a) If the payment was made before the end of the governmental fiscal period, the delay was one-half of the algebraic difference between the portion of the governmental fiscal period prior to the date of payment and the portion subsequent. If the portion of the fiscal period subsequent to date of payment exceeded that prior, the "delay" was a net advance in payment and will be written with a minus sign before it.

If the payment was made at the end of the governmental fiscal period, the delay was one-half of that fiscal period.

[fol. 394] If the payment was made after the close of the governmental fiscal period, the delay was one-half the sum of the time from the beginning of the fiscal period to the date of payment plus the time from the end of the fiscal period to the date of payment.

The average delay for all taxes will be the algebraic sum of the items in the dollar-months column divided by the sum of the amounts paid.

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STATEMENTS RE EXHIBITS 41 TO 44, INC. (McPHERSON)

Ex. 41 (McPherson)

Report consisting of eight pages of Supervisor of Land Appraisals, Commission's Bureau of Valuation, purporting to contain an appraisal of the present value of the lands of Manufacturers' Railway Company for the period March 1, 1920, to December 31, 1920.

Ex. 42 (McPherson)

Report consisting of eight sheets of Supervisor of Land Appraisals, Commission's Bureau of Valuation, purporting to contain an appraisal of the present value of the lands of Manufacturers' Railway Company for the year ended December 31, 1921.

Ex. 43 (McPherson)

Report consisting of eight sheets of Supervisor of Land Appraisals, Commission's Bureau of Valuation, purporting to contain an appraisal of the present value of the lands of Manufacturers' Railway Company for the year ended December 31, 1922.

Ex. 44 (McPherson)

Report consisting of eight sheets of Supervisor of Land Appraisals, Commission's Bureau of Valuation, purporting to contain an appraisal of the present value of the lands of Manufacturers' Railway Company for the year ended December 31, 1923.

[fol. 395] Ex. 45 (McPherson)

Report of Supervisor of Land Appraisals, Commission's Bureau of Valuation, being an appraisal of the present value of the lands of St. Louis and O'Fallon Railway Company as of period March 1, 1920, to December 31, 1923, as follows:

St. Louis and O'Fallon Railway Company

Aids, Gifts, Grants of Right of Way, or Donations

| | | Class 1 | | |
|---|---|---|---|---|
| State | Valuation section | Acres | Present value | Remarks |
| Illinois | 1 AIW. | 21.35 | $3,738.75 | Areas and values shown are averages for the period. Value at time acquired could not be accurately determined. |

Summary of All Lands Owned or Used by Saint Louis and O'Fallon Railway Company for the Period from March 1, 1920, to December 31, 1923

Class 1. Lands Owned and Used by Owner for Its Purposes as a Common Carrier

| | | Urban | | Rural | | Total urban and rural | | |
|---|---|---|---|---|---|---|---|---|
| State | Valuation section | Acres | Present value | Acres | Present value | Acres | Present value | Details on page |
| Illinois | 1 AIW. | 17.24 | $27,180.00 | 74.11 | $20,829.75 | 91.35 | $48,009.75 | 1 |

Remarks

Areas and values shown are averages for the period.

[fol. 396]

Saint Louis and O'Fallon Railway Company

Assembly of Land Zones of a Valuation Section

Class 1.—Lands Owned and Used by Owner for Its Purposes as a Common Carrier

| Zone | Map | Limits of zone From | Limits of zone To | Name of city or county | Acres | Appraiser unit of value | Present value | Remarks |
|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 0+00 | 21+50 | City: East St. Louis | 9.80 | $1,750.00 | $17,150.00 | Units represent the average values found for the period from March 1st, 1920 to December 31, 1923. |
| 1 | 1 | | 34+40 | do | 2.92 | 1,500.00 | 4,380.00 | |
| 3 | 1 | | 56+00 | do | 4.52 | 1,250.00 | 5,650.00 | |
| 4 | 1 | | 88+20 | County: St. Clair | 3.72 | 400.00 | 1,488.00 | |
| 5 | 1 | | 128+10 | do | 9.66 | 400.00 | 3,864.00 | |
| 6 | 1, 2 | | 241+76 | do | 14.37 | 300.00 | 4,311.00 | |
| 7-A | 2 | | 246+00 | do | 0.51 | 1,750.00 | 892.50 | Village of French. |
| 7-B | 2 | | 254+00 | do | 0.69 | 1,250.00 | 862.50 | do. |
| 7 | 2 | | 337+70 | do | 12.07 | 300.00 | 3,621.00 | |
| 8 | 2, 3 | | 472+42 | do | 33.09 | 175.00 | 5,790.75 | |
| | | | | Urban | 17.24 | | 27,180.00 | |
| | | | | Rural | 74.11 | | 20,829.75 | |
| | | | | Total | 91.35 | | 48,009.75 | |

[fol. 397] Ex. 1 (Cotter)

Document consisting of two pages, being comparative general balance sheets for St. Louis and O'Fallon Railway Company of May 1, 1926, and December 31, 1923, which is as follows:

Saint Louis and O'Fallon Railway Company
Comparative General Balance Sheets

| Assets | May 1, 1916 | Dec. 31, 1923 | Increases and decreases | |
|---|---|---|---|---|
| Investment in road | $460,539 38 | $523,266 97 | $62,707 59 | (a) |
| Investment in equipment | 504,161 60 | 591,177 66 | 87,016 06 | (b) |
| Investment in land (non-transp.) | | 216,150 00 | 216,150 00 | (c) |
| Cash | 10,271 98 | 66,223 59 | 55,951 61 | (d) |
| Time drafts | 40,000 00 | 50,000 00 | 10,000 00 | (e) |
| Government notes and bonds | | 198,456 25 | 198,456 25 | |
| Accounts receivable | 21,504 43 | 23,378 84 | 1,814 41 | |
| Material and supplies | 14,700 08 | 63,123 70 | 48,423 62 | |
| Interest receivable | | 1,705 31 | 1,705 31 | |
| Reserve overdrawn | 156 84 | 00 | —156 84 | |
| Prepaid insurance | | 215 61 | 215 61 | |
| Construction in suspense | | 220 85 | 220 85 | (f) |
| | 1,051,414 31 | 1,733,918 78 | 682,504 47 | |
| Liabilities: | | | | |
| Capital stock | 150,000 00 | 110,000 00 | 260,000 00 | (g) |
| First mortgage bonds | 130,000 00 | 00 | —130,000 00 | (h) |
| Second mortgage bonds | 300,000 00 | 300,000 00 | 00 | |
| Accounts payable | 982 26 | 328 27 | —653 99 | |
| Interest Payable Accrued | 5,633 33 | 6,000 00 | 366 67 | |
| Reserve-tax & pers. liab. | 4,971 26 | 58,232 43 | 53,261 17 | |
| Accrued depreciation equip. | 118,596 85 | 214,354 39 | 95,757 54 | |
| Unadjusted credits | 3,381 23 | 3 00 | —3,378 23 | |
| Corporate surplus | 331,849 38 | 745,000 69 | 413,151 31 | |
| | 1,051,414 31 | 1,733,918 78 | 682,504 47 | |

(a) Increased track 91 mi. $24,476.00, misc. bldgs. $3,220.00, new shop & machy. $34,169.00.
(b) May 1, 1916, Locos. 4, Cars all kinds 521. Dec. 31, 1923, Locos. 5, Cars all kinds 605.
(c) Land in east St. Louis in Alta Sita Addition, purchased Feb., 1920.
(d) Cash in checking accounts in bank.
(e) Excess cash invested in securities.
(f) Items of construction not completed.
(g) Distribution of Surplus in Stock dividends, November, 1917.
(h) First mortgage bonds paid and cancelled.

[fol. 398] Dividends

In addition to the Additions to Property and retirements of funded debt noted above dividends were paid as follows:

| Date: | Capital stock | % | Amount |
|---|---|---|---|
| Nov., 1916 | $150,000 00 | 16 | $24,000 00 |
| June, 1917 | 150,000 00 | 10 | 15,000 00 |
| Dec., 1917 | 410,000 00 | 20 | 82,000 00 |
| Nov., 1918 | 410,000 00 | 20 | 82,000 00 |
| Oct., 1921 | 410,000 00 | 16 | 65,600 00 |
| Nov., 1922 | 410,000 00 | 05½ | 22,550 00 |
| Nov., 1923 | 410,000 00 | 06 | 24,600 00 |
| | | | 315,750 00 |

| Summary—Additions to Property | |
|---|---|
| Road and equipment | $149,723 65 |
| Alta Sita addition—land | 216,150 00 |
| Cash and securities | 264,407 86 |
| Supplies | 48,423 62 |
| Miscellaneous | 3,956 18 |
| First mortgage bonds retired | 136,000 00 |
| Dividends paid | 315,750 00 |
| | 1,134,411,31 |

Ex. A 2 (Weight)

Saint Louis and O'Fallon Railway Company

Statement showing tons of coal handled for East St. Louis and Suburban Railway Company from August, 1922, to July 13, 1923, dated of order of the I. C. C. in Docket No. 14951, revenue at increased rate under such order, amounts paid under old contract, and total of retroactive collections to July 13, 1923

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| Group Destinations | Tons | Rates per ton | Revenue at increased rate | Paid under old contract | Retroactiv collections |
|---|---|---|---|---|---|
| 2 E. St. Louis, Granite City and Madison | 15,667 8 | 23c | 3,603 59 | | |
| 3 Mokane, Belle Sta., and other Missouri points | 321,037 7 | 15c | 48,155 66 | | |
| 4 Chicago, Ellsberry, Spanish Lake, Mo | 12,168 0 | 15c | 1,825 20 | | |
| 5 Alton, Illinois | 29,388 5 | 12c | 3,526 62 | | |
| 6 Flat River, Mo., Desloge, Mo | 918 1 | 12c | 110 17 | | |
| 8 New Baden, Ill., E. St. Louis Team Tr | 810 3 | 27c | 218 78 | | |
| 9 National Stock Yards | 1,318 5 | 20c | 263 70 | | |
| 10 E. St. Louis on Alton & So | 3,517 8 | 22c | 773 92 | | |
| 11 E. St. Louis, Ill., on Penna., Venice, C. & A., M. P., Madison, I. T. S., St. L. P. & E. Depo | 16,231 4 | 23c | 3,733 22 | | |
| 12 De Soto, Mo., Imperial, Mo | 753 4 | 23c | 173 28 | | |
| 13 Herculaneum, Crystal City | 2,313 6 | 13c | 300 77 | | |
| Total | | | 62,684 91 | 37,181 90 | 25,503 01 |
| Balance on groups above settled at 50%; | | | | | 12,751 51 |
| St. Louis, Mo | 127,107 7 | 22c | 27,963 69 | 12,003 00 | 15,960 69 |
| Total retroactive collections | | | | | 28,712 20 |

| | | |
|---|---|---|
| Credited to Revenue, December, 1923 | 15,960 69 | |
| February, 1924 | 5,000 00 | |
| March, 1924 | 3,000 00 | |
| May, 1924 | 3,500 00 | |
| June, 1924 | 1,251 51 | |
| Total | 28,712 20 | |

Wages Paid in Year 1913 and in Years 1920 to 1925, Inclusive, and Percentage Incr

| Position | 1913 | 1920 | | 1921 | |
|---|---|---|---|---|---|
| | Wages | Wages | Per cent of increase over 1913 | Wages | Per c incr over |
| Section Foreman, per month | $75 00 | $155 60 | $107 46 | $155 00 | $10 |
| Section Foreman, per month | 70 00 | 149 60 | 113 72 | 149 00 | 11 |
| Section Laborer, per hour | 17½ | 48 | 177 14 | 50 | 18 |
| Bridge Carpenter, per hour | 37½ | 82 | 118 67 | 82 | 11 |
| Carpenter helper, per hour | 25 | 51½ | 106 00 | 51½ | 10 |
| Car foreman, per month | 90 00 | 251 00 | 179 43 | 251 50 | 17 |
| Car repairman, per month | 65 05 | 80 | 220 00 | 72 | 18 |
| Air brakeman, per hour | 37½ | 80 | 113 33 | 72 | 9 |
| Acetylene operator, per hour | 30 | | | | |
| Car repairer helper, per hour | 25 | 62 | 148 00 | 54 | 11 |
| Rip track laborer, per hour | 25 | 56 | 124 00 | 48 | 9 |
| Foreman, round house, per month | 125 00 | 251 50 | 101 20 | 251 50 | 10 |
| Blacksmith, per hour | 45 | 85 | 88 88 | 77 | 7 |
| Blacksmith helper, per hour | 25 | 65 | 160 00 | 57 | 12 |
| Boilermaker, per hour | 45 | 90 | 100 00 | 82 | 8 |
| Machinist, per hour | 45 | 90 | 100 00 | 82 | 8 |
| Machinist helper, per hour | 30 | 65 | 116 67 | 57 | 9 |
| Night foreman engine house, per hour | 25 | 58 | 132 00 | 58 | 13 |
| Hostler helpers, per hour | 25 | 58 | 132 00 | 50 | 10 |
| Round house labor, per hour | 25 | 56 | 124 00 | 53 | 11 |
| Engineers, per hour | 42 | 92½ | 120 24 | 84½ | 10 |
| Fireman, per hour | 26½ | 70 | 164 15 | 62 | 13 |
| Switching Foreman | 38 | 87 | 128 94 | 79 | 10 |
| Switch helpers, per hour | 35 | 81 | 131 43 | 73 | 10 |

...ur)

...ilway Company

...es of Wages Paid in Years 1920 to 1925, Inclusive, Over Wages Paid in Year 1913

| ...of ...13 | 1922 | | 1923 | | 1924 | | 1925 | |
|---|---|---|---|---|---|---|---|---|
| | Wages | Per cent of increase over 1913 | Wages | Per cent of increase over 1913 | Wages | Per cent of increase over 1913 | Wages | Per cent of increase over 1913 |
| | $155 00 | $106 66 | $162 50 | $116 66 | $167 50 | $123 33 | $172 50 | $130 00 |
| | 149 00 | 112 86 | 149 00 | 112 86 | 154 00 | 120 00 | 159 00 | 127 15 |
| | 45 | 157 14 | 47 | 168 57 | 47 | 168 57 | 47 | 168 57 |
| | 82 | 118 67 | 82 | 118 67 | 82 | 118 67 | | |
| | 51½ | 106 00 | 51½ | 106 00 | 51½ | 106 00 | 282 50 | 213 87 |
| | 250 00 | 177 76 | 267 50 | 197 20 | 277 50 | 208 31 | 185 00 | 184 62 |
| | 63 | 152 00 | 65 | 160 00 | 67 | 178 67 | 67 | 178 67 |
| | 63 | 126 67 | 70 | 133 33 | 72 | 140 00 | 72 | 140 00 |
| | 68 | 126 67 | 70 | 133 33 | 72 | 140 00 | 72 | 140 00 |
| | 47 | 88 00 | 49 | 96 00 | 51 | 104 00 | 51 | 104 00 |
| | 43 | 72 00 | 45 | 80 00 | 50 | 100 00 | 50 | 100 00 |
| | 251 50 | 101 20 | 267 50 | 114 00 | 277 50 | 122 00 | 282 50 | 126 00 |
| | 70 | 55 56 | 72 | 60 00 | 74 | 64 44 | 74 | 64 44 |
| | 50 | 100 00 | 52 | 108 00 | 54 | 116 00 | 54 | 116 00 |
| | 75 | 66 67 | 77 | 71 11 | 79 | 75 55 | 79 | 75 55 |
| | 75 | 66 67 | 77 | 71 11 | 79 | 75 55 | 79 | 75 55 |
| | 50 | 66 67 | 52 | 73 33 | 54 | 80 00 | 54 | 80 00 |
| | 58 | 132 00 | 59 | 136 00 | 61 | 144 00 | 61 | 144 00 |
| | 50 | 100 00 | 52 | 108 00 | 54 | 116 00 | 54 | 116 00 |
| | 53 | 112 00 | 55 | 120 00 | 57 | 128 00 | 57 | 128 00 |
| | 84½ | 101 19 | 84½ | 101 19 | 84½ | 101 19 | 89 | 111 90 |
| | 62 | 133 96 | 62 | 133 96 | 62 | 133 96 | 66½ | 150 94 |
| | 79 | 107 89 | 79 | 107 89 | 83 | 118 42 | 83 | 118 42 |
| | 73 | 108 57 | 73 | 108 57 | 77 | 120 00 | 77 | 120 00 |

STATEMET RE EX. A-3 (WRIGHT)

Four vouchers evidencing certain payments by St. Louis and O'Fallon Railway Company to William Cotter.

(Here follows Ex. A-4 (Wright), marked side folio p. 400.)

[fol. 401] STATEMENTS RE EXHIBITS "A-5" TO "A-12," INC.

Ex. A-5 (Marsh)

Document consisting of four sheets showing cost per day of handling miners' train over St. Louis and O'Fallon Railway for the years 1921, 1922, 1923 and 1924, respectively.

Ex. A-6 (Shields)

One sheet showing comparison of sales paid certain officials of St. Louis and O'Fallon with salaries paid similar officials of other carriers with equivalent mileage and similar classification.

Ex. A-7 (Shields)

One sheet showing comparison of salaries paid certain officials of the Manufacturers' with salaries paid similar officials of certain other carriers with equivalent mileage and similar classification.

Ex. A-8 (Shields)

Two sheets showing report of Special Examiner of Bureau of Accounts of Interstate Commerce Commission in connection with the operation of a miners' train by St. Louis and O'Fallon Railway Company.

Ex. A-9 (Shields)

Copy of minutes of annual directors' meeting of St. Louis and O'Fallon Railway Company Monday, April 2, 1923.

Ex. A-10

Fourteen sheets consisting of copies of various letters and telegrams between the O'Fallon Coal Company and the Regional Director at Chicago relating to the tariffs charged

by the St. Louis and O'Fallon Railway Company for the operation of the miners' train.

[fol. 402] Ex. A-11

Statement of rates on coal in carload lots from St. Louis and O'Fallon Coal Company's mines in cents per net ton to St. Louis, Mo., and to East St. Louis, Ill.

Ex. A-12

Letter from William Cotter to Phillip Marsh on joint letterhead of Manufacturers' and O'Fallon dated December 19, 1923, authorizing the payment of a certain bill of Clark & LaRoe for legal services rendered in Docket Nos. 14-64 and 14961.

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[fol. 403] Petitioner's Exhibit 3 Continued

(5) Report Proposed by J. Paul Kelley, Examiner of Interstate Commerce Commission

Interstate Commerce Commission

Finance Docket, No. 3908

Excess Income of St. Louis & O'Fallon Railway Company

Finance Docket No. 4026

Excess Income of Manufacturers' Railway Company

Submitted February 27, 1926. Decided ——— —, ———

1. The St. Louis & O'Fallon Railway Company and the Manufacturers' Railway Company found not to have been, during the period March 1, 1920, to December 31, 1923, operated as a single system within the meaning of paragraph (6) of section 15a of the interstate commerce act.
2. Value of property used in transportation service by the St. Louis & O'Fallon Railway Company and the net railway operating income of said company for the

period March to December, inclusive, 1920, and for the years 1921, 1922 and 1923, determined for the purposes of the recapture provision of section 15a of the interstate commerce act.

3. The Manufacturers' Railway Company found not to have earned during said periods net railway operating income subject to recapture.

Clark & La Roe for the carriers.

Pursuant to the requirements of paragraphs (6) and (9) of section 15a of the interstate commerce act, the commission issued, under date of January 16, 1922, an order requiring carriers by railroad to report to it, among other things, for the period from September 1, to December 31, 1920, in the case of carriers which had accepted the guaranty of section 209 of the transportation act, 1920, and for the period from March 1 to December 31, in the case of carriers which had not accepted such guaranty, the value of the property used in transportation service by such carriers and their net railway operating income for such period. The full text of the order is given in Appendix (A). The carriers were instructed to include in their reports statements in detail showing the manner in which the values were arrived at. Orders similar in their gen- [fol. 404] eral requirements, but with some variation as to detail, were later issued for the succeeding calendar years. In response to these orders, the St. Louis & O'Fallon Railway Company, hereinafter referred to as the O'Fallon, and the Manufacturers' Railway Company, hereinafter called the Manufacturers,' filed with the commission returns or reports for the period March to December, 1920, both inclusive, and for the years 1921, 1922, and 1923. Neither of these carriers accepted the guaranty of section 209. These reports show value and income for the two carriers separately and also for their properties combined, it being the claim of the carriers that they should be considered as under common control and management and operated as a single system, within the meaning of paragraph (6) of section 15a. A hearing was held on October 1 and 2, 1924, for the purpose of affording the carriers opportunity to submit evidence in support of their claims and for the receipt of any other evidence that might

aid the commission in making the findings required by the statute. The claim of the carriers of the right to combine their returns was specifically set for consideration at the hearing. The latter contention will be disposed of first.

The Manufacturers' owns and operates about 30 miles of track in the City of St. Louis, of which 5 miles is classified as main track and 25 miles as sidings or industrial tracks. Its construction was commenced in 1887 by the interests which controlled the Anheuser-Busch Brewing Association, and it is said that the primary purpose of the new line was to afford the brewery of that association better switching service than had theretofore been furnished by other carriers. The Manufacturers' is a purely switching road, handling cars between various industries, on the one hand, and the trunk lines, or the line of the Terminal Railroad Association of St. Louis, hereinafter called the [fol. 405] Terminal, on the other hand. It issues no waybills, but issues receipts to shippers and transmits bills of lading to the trunk lines by which regular waybills are made out.

The O'Fallon operates about nine miles of main line and 12 miles of yard track and sidings in the State of Illinois, the former extending from coal mines owned by the Adolphus Busch estate westward to a connection with the tracks of the Terminal, in East S. Louis. Its traffic is almost exclusively coal in carloads, which is distributed widely through the northwest, moving from origin on regular billing. Through the medium of the Terminal, its shipments are delivered at various points in St. Louis, some of which are on the tracks of the Manufacturers'. The O'Fallon was acquired by the Busch interests in the year 1913, but it does not appear that the nature of the traffic of the line was a cause of the acquisition. According to the evidence, the industries of the controlling interests never used more than 8 per cent of the coal shipments from the O'Fallon. The distance between the railroad of the O'Fallon and the railroad of the Manufacturers' is about 12 miles, and communication by rail between the two properties is effected over the tracks of the Terminal, including a bridge over the Mississippi River. It is testified that upon the completion of a new bridge, referred to as the municipal bridge, it is proposed to construct tracks which will effect direct physical connection

between the Manufacturers' and the O'Fallon; and in preparation for this development, the O'Fallon has acquired and holds about 30 acres of land near the eastern approach of the new bridges. These carriers are permitted to operate engines and other equipment from one line to the other by using the intervening tracks heretofore described; but there is no written contract or other standing arrangement for such use, and it would appear that a special arrangement is necessary for each movement. Due to the difference in traffic there is no occasion for regular through operation between the lines.

[fol. 406] The carriers are under common financial control, the Adolphus Busch estate owning a large majority of the stock of each. The Manufacturers' has five directors and the O'Fallon seven. Three of these directors are common to both companies. All of the officers of these companies and all of the general office employees are common to both. The general offices are located in St. Louis. The engine repair shop for both companies is on the line of the Manufacturers' in St. Louis, but the car repair shop, which also serves both companies, is on the O'Fallon.

The rates to and from points on the Manufacturers' are the St. Louis rates, to which the Manufacturers' is a party, and out of which it gets divisions in the form of a switching or terminal allowance which is absorbed by the line-haul carrier. The O'Fallon is also a party to many joint rates with trunk lines. The companies render separate operating reports to the commission.

The above statement of facts is applicable, without material modification, to the entire period of three years and ten months covered by this investigation.

The portion of paragraph (6) of section 15a which the carriers contend is applicable under these facts reads as follows:

"For the purposes of this paragraph the value of the railway property and the net railway operating income of a group of carriers, which the commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole irrespective of the separate ownership and accounting returns of the various parts of such system."

It is evident that the Manufacturers' and the O'Fallon are under common control and management, and the only question still to be decided is whether these lines are operated as a single system, within the meaning of the statutes.

In the absence of any indication of different intent, it must be assumed that Congress had in mind the usual meaning of the word "system" as applied to railroads. That meaning implies an operating relationship and indicates that Congress intended operating unity to be the [fol. 407] test of system relationship, and not ownership of tracks or methods of accounting. If Congress had intended that under this provision all railroads of common ownership should be grouped, there would have been no difficulty in expressing that purpose. Not only is there separate physical identity of these carriers, but there is no evidence of any correlation of function or present interdependence which would include them in the same system. That the term "system" as applied to railroads implies such relationships appears to be the view of the lexicographers. (*) The mere use of facilities or the possession of officers in common is insufficient to warrant a finding that these carriers are operated as a single system. The commission should find that during the period March 1, 1920, to December 31, 1923, the Manufacturers' and the O'Fallon were not operated as a single system within the meaning of paragraph (6) of section 15a of the interstate commerce act.

At the opening of the hearing, the carriers entered a general objection to the proceeding on the ground that it was premature, the commission not having determined the final value of the carriers' property under section 19a of the act. Similar objection has been raised in other proceedings of this kind, and therefore the proper construction of the valuation provisions of the section will be considered. [fol. 408] It is provided in paragraph (6) of section 15(a) of the Act that:

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(*) System—An aggregation or assemblage of objects united by some form of regular interaction or interdependence; a natural combination of organization of part to part, conceived as formed by a process of growth or as due to the nature of the objects connected; as, a system of railways (Webster's New International Dictionary).

The connection or manner of connection of parts as related to a whole, or the parts collectively so related; a whole as made up of constituent parts; as, a railroad system (Funk & Wagnall's New Standard Dictionary).

"If, under the provisions of this section any carrier receives for any year a net railway operating income in excess of six per centum of the value of railway property held for and used by it in the service of transportation, one-half of such excess shall be placed in a reserve fund established and maintained by such carrier, and the remaining one-half thereof shall, * * * be recoverable by and paid to the Commission for the purpose of establishing and maintaining a general railroad contingent fund as hereinafter described. * * * The value of such railway property shall be determined by the Commission in the manner provided in paragraph (4)."

In paragraph (4) of the same section it is provided that:

"For the purposes of this section, such aggregate value of the property of the carriers shall be determined by the Commission from time to time and as often as may be necessary. The Commission may utilize the results of its investigation under section 19a of this Act, in so far as deemed by it available, and shall give due consideration to all the elements of value recognized by the law of the land for rate making purposes, and shall give to the property investment account of the carriers only that consideration which under such law it is entitled to in establishing values for rate-making purposes. Whenever pursuant to section 19a of this Act the value of the railway property of any carrier held for and used in the service of transportation has been finally ascertained, the value so ascertained shall be deemed by the Commission to be the value thereof for the purpose of determining such aggregate value."

These paragraphs must be considered in their relation to the section as a whole, the general provisions of which are (1) that the Commission shall adjust rates so that the carriers as a whole or in groups shall be able to earn a fair return upon the value of their transportation property; (2) that the percentage of value constituting a fair return may be changed by the Commission from time to time; (3) that where individual carriers earn, under the rates, as adjusted, railway operating income in excess of six per cent of the value of their property, one-half of the

excess shall be recoverable by the Government and held in a fund for the relief of the carriers needing such aid. At the time of the adoption of these provisions by Congress, in February, 1920, there had been under earnest considera- [fol. 409] tion many measures for the relief of the carriers and for the insurance of the future efficient operation of the transportation system of the country. The relinquishment of the roads from Federal control made the time seem opportune for the inauguration of the new practices proposed. It was well known to Congress that the valuation of the railroads under section 19a was not completed and could not for years be completed. To delay the inauguration of the new scheme of rate making, with its concomitant provision for the creation of a railroad contingent fund, until the completion of such valuation would in large measure defeat the purpose of the legislation. Therefore, it was provided, in plain terms, that the commission should proceed at once to determine values of the purpose of carrying into effect the provisions of section 15a, in its discretion using material gathered in the process of the valuation under section 19a, so far as found usable. While the Commission is required by paragraph (4) to "give consideration to all the elements of value recognized by the law of the land for rate-making purposes" it is necessary to conclude that Congress had in contemplation a valuation under section 15a that could be accomplished with greater facility and promptness than is required by the valuation under section 19a; and there is no inconsistency in the requirement that the results reached under section 19a shall be substituted for the values reached under the less thorough process of section 15a, as and when the former shall be determined. However, the revision thus made can affect only the future. While the valuations under section 15a are the best available, the findings reached are permanent and are not subject to revision as the result of any change in value under section 19a. While the commission is not bound in this proceeding by the processes or the results of the valuation under section 19a, it should observe the same principles [fol. 410] of valuation as are applied in the latter, since both valuations are for rate-making purposes. Counsel for the carriers undertake to draw a distinction, holding

that the valuations under section 15a are the more comprehensive; but that no such distinction was in the mind of Congress is reasonably apparent from the fact that an ultimate substitution of one for the other is required.

## Value and Income of the O'Fallon

The value of the property of the O'Fallon held for and used in the service of transportation has not been finally ascertained by the commission in the manner contemplated by section 19a. The investigation for the purpose of ascertaining that value is in progress, but has not been concluded. Its immediate object is the ascertaining and reporting of the value of the carrier's property for rate-making purposes as of June 30, 1919. All property owned or used by the carrier for its purposes as a common carrier has been inventoried and its condition noted, and an examination of its records and accounts has been made, as of that date. Certain of the results of that investigation are available, and exhibits setting those forth have been made a part of the record in this case. At the time of the hearing no tentative valuation report had been served upon the O'Fallon. The usual accounting, engineering and land reports, prepared by the bureau of valuation in accordance with instructions, rules, regulations and methods approved by the Commission had been served previously upon the carrier. Testimony and exhibits presented by the carrier and the bureau in this record, in so far as these relate to the value of this carrier's property, make reference to, and to a considerable extent are based upon, these underlying reports. The reports themselves have been introduced in evidence in exhibit form.

The information contained in these underlying reports is therefore available for consideration in determining the [fol. 411] value of the property of the carrier held for and used in the service of transportation, within the meaning of paragraphs (4) and (6) of section 15a of the act, for the several recapture periods. Such reports were prepared in final form by the bureau of valuation only after the carrier had been given the usual opportunity to take informal exceptions to them in preliminary form, and to confer with the bureau regarding such exceptions. It is

to be understood, nevertheless, that upon the issuance of a tentative valuation based upon such underlying reports, the carrier would have the right, under section 19a of the act, to file a formal protest of all items therein and to have a hearing for the purposes of presenting evidence in support of the protest.

This record contains as an exhibit the accounting report as of June 30, 1919, upon which the tentative valuation under section 19a of this carrier's property is in part to be based, together with supplements bringing the data therein contained down through the respective recapture periods. This report contains a complete corporate and financial history of the O'Fallon; the obtainable data on the original cost of its property; an analysis of its investment in road and equipment account; statements of income and profit and loss, with the dividend history of the company; and the general balance sheet statements. The original cost to date of the property as a whole cannot be ascertained. No complete analysis of the investment in road and equipment account can be made, for the reason that the carrier's accounting records for the period from the date of its incorporation, June 1, 1896, to June 1, 1908, are missing.

Exhibits submitted by a witness for the bureau of valuation show the recorded investment in road and equipment of this carrier to have been $1,095,953 on June 30, 1919; [fol. 412] $1,020,987 on December 31, 1920; $1,139,309 on December 31, 1921; $1,141,128 on December 31, 1922; and $1,114,445 on December 31, 1923.

To the investment in road and equipment balances reported by the company, the bureau of valuation's accountants have taken certain exceptions, minor in amount. They point out that each of such balances includes an opening entry of $207,804.57, as of June 1, 1908, which represents an arbitrary amount, based on the estimated inventory value of the property prepared by the company's civil engineer as of that date. It does not, therefore, indicate what the investment was in the property owned on that date.

For additions and betterments, less retirements it is shown that the O'Fallon made outlays in money during the period from June 1, 1908, to June 30, 1919, aggregating $98,148.25.

The bureau of valuation also introduced exhibits showing the gross charges for additions and betterments to common carrier property subsequent to June 30, 1919, and the gross credits for such property as had been retired, resulting in the showing of the net increase or decrease in the original cost of common-carrier property. The net increases or decreases in original cost, as restated by the bureau of valuation, are as follows:

| | |
|---|---|
| July 1, 1919, to Feb. 29, 1920, increase | $4,132.76 |
| Mar. 1, 1920, to Dec. 31, 1920, " | 10,759.32 |
| Jan. 1, 1921, to Dec. 31, 1921, " | 112,942.97 |
| Jan. 1, 1922, to Dec. 31, 1922, " | 1,454.42 |
| Jan. 1, 1923, to Dec. 31, 1923, decrease | 8,252.74 |

These exhibits also contain computations designed to show the average cost of the property placed in service during each of the recapture periods. As illustrative of this, the net increase in original cost during the period March 1, 1920, to December 31, 1920, was $10,759.32, as shown above. But not all of the property represented by this net charge was in service during the entire ten months' period, since additions and betterments, or retirements, were made month by month during this time. In fact, prop- [fol. 413] erty costing almost $9,000 was placed in service during the months of November and December, 1920. To determine the average cost of the property in service during the period the cost for property installed during a particular month is multiplied by the number of months remaining in the year so as to obtain the equivalent amount for one month. The totals for all months thus obtained is then divided by the number of months in the recapture period. The average costs thus obtained for each of the periods here under consideration are as follows:

| | |
|---|---|
| Mar. 1, 1920, to Dec. 31, 1920, | $1,431.91 |
| Jan. 1, 1921, to Dec. 31, 1921, | 9,967.76 |
| Jan. 1, 1922, to Dec. 31, 1922, | 539.11 |
| Jan. 1, 1923, to Dec. 31, 1923, | 1,542.69(Cr.) |

This record also contains the underlying engineering report on which the tentative valuation in the 19a proceedings is in part to be based. In this exhibit estimates of the cost of reproduction new and cost of reproduction less

depreciation based upon normal 1914 prices are contained. These unit prices have been determined, as explained in numerous reports made by the commission in valuation cases, by consideration of the prices for labor and materials and the cost of constructing and equipping railroads during a five-year period ending June 30, 1914, in most instances, and for certain other costs of materials and construction periods up to 10 years, and in some instances exceeding 10 years, ending June 30, 1914, were surveyed. Texas Midland Railroad, 75 I. C. C. 1.

There is also in evidence a statement of the cost of reproduction new and cost of reproduction less depreciation of the property which the carrier owned and used in performing transportation service on December 31, 1920, 1921, 1922, and 1923. The prices used by the commission's engineers in formulating these estimates are the normal 1914 prices, as previously defined. The quantities in the several accounts comprised in the reproduction cost schedules were determined by taking the inventory made as of June 30, 1919, [fol. 414] and making additions of new units placed in service and subtractions of units retired, from service since that date. Reports of the carriers to the commission which have been verified show such additions or retirements subsequent to June 30, 1919.

The following table shows the cost of reproduction new and cost of reproduction less depreciation of the property of the O'Fallon, exclusive of land, on June 30, 1919, and on December 31, 1920, 1921, 1922, and 1923, based upon the normal 1914 prices:

| Date | Cost of reproduction new | Cost of reproduction less depreciation |
|---|---|---|
| June 30, 1919 | $927,684 | $678,506 |
| December 31, 1920 | 936,732 | 648,531 |
| December 31, 1921 | 950,553 | 692,923 |
| December 31, 1922 | 951,974 | 674,769 |
| December 31, 1923 | 940,708 | 645,466 |

No attempt was made by witnesses for the bureau of valuation to restate these estimates of reproduction costs upon the basis of prices for the four recapture periods. A witness for the bureau testified however that, in his opinion,

as a result of his investigation, changes in the levels of prices of labor and material between the 1914 prices as previously defined and the level at the end of each of the four recapture periods were represented by composite index numbers as follows: For Dec. 31, 1920, 230; for Dec. 31, 1921, 195; for Dec. 31, 1922, 157; and for Dec. 31, 1923, 174. He explained that his opinion was based mainly upon reports of the Bureau of Labor Statistics of the Department of Labor, showing general changes in "all commodity" prices for the dates just specified.

Since the hearing there has been made a part of the record, by appropriate agreement, a statement prepared by the carrier showing by accounts the actual costs of units of property put into use in common carrier service by the O'Fallon between July 1, 1914, and June 30, 1919, both inclusive. In the statement there is also shown the total estimated costs of reproduction new of the same items of property as these appear in the underlying engineering report, and which were arrived at, as already stated, by the use of [fol. 415] unit prices as of the 1914 pricing period. The comparison of the actual and the estimated costs for the 5 year period as set forth in the statement shows that the actual costs exceeded the estimated costs by the amount of $38,843.12.

The underlying report of the land section of the bureau of valuation was put in the record. It contains a classification and appraisal of all lands owned or used by the carrier on June 30, 1919. Their value is stated therein upon the basis of the appraised market value on June 30, 1919, of similar adjoining and adjacent lands. An exhibit submitted by one of the commission's land appraisers shows the present value of lands owned and used by the carrier during the period from March 1, 1920, to December 31, 1923, comprising 91.35 acres, to be $48,009.75. A witness for the carrier introduced evidence showing that the value of these lands for the period in question was $50,556.25. That is the amount stated in the underlying land report as the value of these lands on June 30, 1919. There was no change in area of lands of the carrier between that date and Dec. 31, 1923.

One of the commission's valuation accountants testified concerning the amount of working capital necessary for

the carrier's use in connection with its common carrier operations for the ten months ending December 31, 1920, and for each of the years ending December 31, 1921, 1922, and 1923. The witness's investigation was based upon information submitted in response to a questionnaire that had been forwarded to the carrier. The purport of his testimony was to the effect that collections of revenue by the carrier were made promptly after the performance of service, which resulted in a balance of receipts over expenditures sufficient to obviate the necessity of carrying on hand a cash fund in the nature of an investment. This witness submitted an exhibit showing the average amount representing materials and supplies on hand in excess of [fol. 416] the stock drawn upon for additions and betterments for the several recapture periods. For the ten months ended December 31, 1920, this amount was $77,388; for the year 1921, $50,760; for the year 1922, $40,263; and for the year 1923, $44,259. These amounts are 19.15, 16.49, 14.2 and 11.35 per cent of operating expenses for the respective periods. There was testimony to the effect that the average amount carried by railway companies throughout the United States by way of an investment in a stock of materials and supplies for operating purposes is approximately 10 per cent of their annual operating expenses.

In rendering its returns to orders hereinbefore mentioned, the O'Fallon stated as the value of its property the amount of its investment as shown by its books of account and as stated in its annual reports to the commission. At the hearing a witness for the carrier submitted evidence of value based upon the inventories made by the commission's valuation engineers in pursuance of the section 19a investigation, to which had been applied prices as of the 1914 period, thereby obtaining the cost of reproduction new as stated in the underlying engineering report. He made adjustments in the underlying inventory for each of the recapture periods, based upon reports the carrier had made to the commission in compliance with valuation order No. 3, for the purpose of showing the quantities and kinds of property on hand at the end of each of the recapture periods. By the use of ratios said to represent increases in prices of labor and materials between the year 1914 and the respective recapture periods he undertook to state the

cost of reproduction new of the road and equipment as of December 31, 1920, 1921, 1922, and 1923. To the resulting reproduction cost estimates he added the value of land used for transportation purposes as stated in the underlying land report in the section 19a proceedings. He also added the amount of cash actually on hand and the balance in the [fol. 417] material and supplies accounts. By this process he arrived at values for the respective recapture periods as shown by the following tables:

| | Dec. 31, 1920 | Dec. 31, 1921 | Dec. 31, 1922 | Dec. 31, 1923 |
|---|---|---|---|---|
| Road and equipment (not including land) | $2,112,708.72 | 1,562,247.84 | 1,471,026.57 | 1,639,048.77 |
| Land | 50,556.25 | 50,556.25 | 50,556.25 | 50,556.25 |
| Cash | 47,362.14 | 77,176.93 | 78,022.53 | 66,223.59 |
| Material and supplies | 84,912.27 | 48,651.17 | 42,180.07 | 63,123.70 |
| | $2,295,539.38 | 1,738,632.19 | 1,641,785.42 | 1,618,952.31 |

The foregoing summary of evidence in the record upon the question of the value of the property used by the O'Fallon in the service of transportation is sufficient to show that there are presented for consideration the following: (1) The carrier's book record of investment. This cannot be accepted in its entirety as an accurate statement of actual outlay for the property for reasons previously given. It may be regarded as substantially accurate in so far as it sets forth debits and credits to the investment account since June 30, 1919. Supervision of the carrier's accounts during this period has, in fact, enabled the commission to verify the accuracy of entries made in its books that affect the investment account. (2) The reproduction cost new and less depreciation estimates as of June 30, 1919, and as of December 31, in each of the recapture periods, for property other than lands. The commission's valuation engineers and the carrier's engineers presented these estimates in different forms. Both began their computations with the underlying engineering report, in which the normal 1914 prices were applied to the property inventoried as of June 30, 1919. Both adjusted that inventory as to quantities by reference to the same sources of information, that is, the carrier's reports to the commission, so that they are in agreement regarding the amounts and kinds of units of property in service at the end of each of the four recapture periods. They differ in that the commission's engi- [fol. 418] neers set forth estimates of cost of reproduction less depreciation and the carrier's engineers stated only cost of reproduction new estimates. They differ also in that the commission's engineers made no application to the revised inventories of any unit prices, except the normal 1914 prices, although they submitted testimony regarding index numbers showing general price increases for the recapture periods; whereas the carrier's engineers applied to the revised inventories, as appraised on the 1914 price basis, ratios which in their opinion indicated the increased costs of reproduction new for the several recapture periods. (3) The value of lands. As to these the commission's appraisers and the carrier's witnesses are in substantial agreement. (4) Studies regarding working capital. The carrier's witnesses included in their computed values the

amounts of cash and the book charges for materials and supplies on hand at the end of each recapture period. The commission's valuation accountants presented the results of their analyses of the carrier's accounts, made for the purpose of determining the extent of the actual need of investment in cash and in materials and supplies to take care of demands for these in connection with the performance of transportation service. These analyses show conclusively that the O'Fallon collected its revenues sufficiently in advance of the time for payment of expenses of the service which produced the revenues to render an investment in cash working capital unnecessary. It is clear that during the period, 1919 to 1923, an investment of approximately $50,000 in a stock of materials and supplies amply met the carrier's needs for working capital purposes.

In addition to these elements of value, stated in more or less definite sums of money, the record presents for consideration descriptions of the carrier, of its traffic, of the territory in which it operates, its history, and summaries of the results of its operation. There are in evidence also [fol. 419] statements showing the cost of units of property added, and deductions for property retired, between June 30, 1919, and the end of each of the recapture periods. The statute directs that in determining values pursuant to section 15a the commission * * * shall give due consideration to all the elements of value recognized by the law of the land for rate-making purposes * * *. This shows that values for rate-making and recapture purposes are the same. There is a general rule that the determination of value for rate-making purposes is not a matter of formulas, but that it is the result of judgment based upon a consideration of all relevant facts. *Minnesota Rate Cases*, 230 U. S. 382. The commission uniformly observed that rule in the ascertainment of values for rate-making of railroad properties in compliance with requirements of section 19a of the interstate commerce act. *San Pedro, Los Angeles & Salt Lake R. R. Co.*, 75 I. C. C. 463; *New York, Philadelphia & Norfolk R. R. Co.*, 97 I. C. C. 287. The commission also must observe the repeated declarations of the Supreme Court that the value to be ascertained is that as of the time of the inquiry, which means in this case for each of the recapture periods under consideration.

Considering separately property other than land, the evidence which has been most carefully and thoroughly prepared, and in which full confidence may be placed, is that embodied in the underlying accounting and engineering reports. This evidence relates exclusively to the value of the property as of June 30, 1919. The information contained in these reports showing, among other things, costs of reproduction new and less depreciation, original costs for some items, the amount of investment in road and equipment as recorded in the carrier's books, the extent and character of the traffic handled and the history of the corporation and of its financing, was gathered, analyzed, and [fol. 420] compiled by the commission's employees in the bureau of valuation, with the assistance and co-operation in large measure of the carrier's representatives. For the purposes of this proceeding the carrier's witnesses have accepted much of that information as a basis for their contention as to values in the later periods.

At the time of the hearing in this proceeding, as previously stated, the tentative valuation report setting forth tentatively the commission's conclusions regarding the value of the property had not been issued, and the carrier had consequently been given no opportunity to present a formal protest of such a tentative valuation. In view, however, of the completeness and satisfactory character of all of the evidence in this record regarding the value of the property devoted by the O'Fallon to common carrier service on June 30, 1919, it is practicable to determine the value of such property for rate-making purposes as of that date.

In the absence of records which would show original cost, and because of the arbitrary manner in which the original entry in the investment record was made, the cost of reproduction new and cost of reproduction less depreciation estimates contained in the underlying engineering report must of necessity in this instance be accorded much weight, though such studies cannot be accepted as determining value. The explanation hereinbefore given of these estimates, particularly as to the application of so-called normal 1914 unit prices to quantities inventoried as of June 30, 1919, makes it evident that the reproduction costs reported more nearly represent the probable original cost or money outlay for the property, exclusive of lands, which

the carrier was devoting to the service of the public on June 30, 1919, than its cost of reproduction at that particular time. The line of railroad, approximately 9 miles in length, was constructed in the years from 1896 to 1900, both inclusive. While a satisfactory statement of the car- [fol. 421] rier's actual investment, or of the original cost of its property, is not available, much thought and effort have been devoted to determining the costs of building railroads during the years immediately following the period when this carrier's property was being built. The results of that study are reflected in the unit prices, which are herein termed normal 1914 prices used in making the reproduction cost estimates of this property. With regard to the reliability of these unit prices for use in approximating the probable, reasonable, and necessary costs of constructing railroad properties built prior to June 30, 1914, the commission stated in its report, dated July 31, 1918, in Texas Midland Railroad, 75 I. C. C. 1, at page 140, the following:

"While the Commission is not as well informed today as it hopes to be before the end of its work, we are prepared to state with considerable confidence that the cost of producing and equipping a railroad in most parts of this country on June 30, 1914, was a fair average for at least the 20 years preceding. There had been many changes during that period. Some prices had advanced while others had declined. The cost of labor had somewhat increased, but improved methods tended to offset this increase. On the whole, the 1914 cost was just about an average for those previous years during which the great bulk of the railroad property then in use had come into existence.

The inventories are taken as of June 30. A few are as of 1914 and there will be a few as of 1919, but most are for 1915 to 1918, inclusive. When these inventories are completed and when the returns to Order No. 3, which calls for additions and betterments, have been made, it will be possible to show what items have been added since the present inflation of prices began and the amounts actually expended."

With this basis it may be determined that the money outlay for the property which the O'Fallon was using in performing common carrier service on June 30, 1919, exclusive of lands, was approximately $966,727. This figure is the result of adding to $927,884, which is the estimated cost of reproduction new, based upon normal 1914 prices, previously defined, as shown in the engineering report, the amount of $38,843, which is the amount by which actual [fol. 422] costs exceeded the estimated reproduction cost new for the units of property put into service between June 30, 1914, and June 30, 1919. Deducting from this figure $249,378 which is the difference between the cost of reproduction new and the cost of reproduction less depreciation as stated in the engineering report, the remainder is $717,349. It does not follow, however, that this amount is the approximate investment remaining in the property, excluding lands, devoted to common carrier service on June 30, 1919. All of the assumptions made in estimating cost of reproduction less depreciation as distinguished from cost of reproduction new, do not apply in the measurement of the investment remaining in a property that has been some time in service, as compared with the original cost. The test depends upon accounting rather than engineering methods, and all of the necessary accounting data are not available in this instance. The age of the property and the engineers' appraisal are clear indications of a lessening in the service life of the property and of some consequent impairment of the original investment in the property. On the other hand, there are factors not always easily defined or measured which to a greater or less extent affect investment values independently of changes in the physical condition of the property in which the investment is made. In the circumstances the final determination of value must rest upon judgment. Careful consideration of the fact that costs of varous kinds, the aggregate of which cannot be definitely stated, have been incurred inevitable in putting and keeping the property in operation in a public service, and which may not be fully reflected in reproduction cost estimates, as well as of the other matters mentioned above, leads to the conclusion that the value for rate-making purposes of the property of the O'Fallon, devoted to common carrier service on June 30, 1919, exclusive

of lands and working capital, was $750,000. This amount [fol. 423] was the probable, necessary, reasonable investment remaining in such property as of that date. The value of the carrier lands was admittedly approximately $50,500, and the necessary investment in a fund for working capital, consisting wholly of materials and supplies, was, as previously stated, $50,000. The commission should find that the value for rate-making purposes of the entire common carrier property on June 30, 1919, was $850,500.

The circumstance which presents the greatest difficulty in determining what, if any, relation there may be between the value of this property in 1919 and in the years 1920, 1921, 1922, and 1923, is what is referred to in the foregoing quotation from the Texas Midland case as "the present inflation in prices." It is common knowledge that prices in general rose rapidly, beginning soon after the outbreak of the World War, reached their peak in 1920, and have since fluctuated downward and upward, remaining, however, throughout the years 1920 to 1923, inclusive, and up to the present time, much higher than the general level during the ten years preceding 1914. Exhibits presented by the carrier and by the commission's valuation engineers in this record were said by these witnesses to indicate the relation of prices for the recapture periods to the 1914 price level. Without subscribing to the accuracy of the figures or estimates submitted by any of the witnesses, it may be stated in a general way that the costs of labor and of many materials were much higher during the 1920 to 1924 period than during the 1910 to 1914 period.

It is urged on behalf of the O'Fallon, in effect, that the value of its property in 1914 was not less than the cost of reproducing it at prices then prevailing, and that its value in 1920 was at least its cost of reproduction at prices prevailing at that time. The commission has never indicated that the cost of reproduction new is regarded by it as the controlling consideration in fixing a value for rate-making purposes. It is one of the elements which the commission [fol. 424] is required by section 19a of the act to set forth in its valuation reports. Even if the cost of reproduction new in 1920 were to be regarded as a controlling element, there is not in the present record evidence showing what it might have cost to reproduce the property of the O'Fallon

at that time. The only evidence in this respect is that of the relation of general prices in 1914 and in 1920 and the other recapture years. Costs of railroad building, owing to improvements in methods and economies thereby affected, did not vary greatly during the period of 20 years preceding 1914, although the prices of labor and material fluctuated. Without doubt the cost of railroad building were greater in the period 1920 to 1924 than in the period 1910 to 1924. There is no testimony here as to how much it cost to build any railroad or any substantial part of one in any of the recapture periods, and for that reason it is impossible to make a comparison of such costs in the two periods. It is not safe to assume, as the carrier has assumed, that costs of building railroads have varied in recent years in direct ratio to the variation in costs of commodities in general use, or in the costs of materials or labor generally.

Even if there were in the present record a careful estimate of the cost of reproduction of the entire property of the O'Fallon in 1920 and the other recapture years, based upon known costs of constructing railroads at that time, such estimates could not be regarded as controlling in the determination of values for rate-making purposes. Compared with the actual or a reasonable and necessary investment in the property, such an estimate, if taken as the measure of value, would produce a result that common sense and good conscience could not approve.

There is the additional objection to the adoption of reproduction costs as the sole basis of rate-making value, that such costs tend to vary with abnormal increases or decreases [fol. 425] in prices. The rate base determined by reproduction costs would vary, whereas stability of that base is essential. In times of abnormally high prices the value would be so great that the rate level necessary to produce a return upon it would be prohibitive. In times of abnormally low prices the value would, in a consistent adherence to the method, shrink to the extent that actual investments made in good faith would be imperiled if not entirely destroyed. At most, a reproduction cost statement is the estimate of an expert regarding a single statutory element of value.

Value rests upon a number of elements. The value of the property of railroads for rate-making purposes, which is construed to be the value of property devoted to common-carrier purposes upon which common carriers are entitled under the law to earn a fair return, approaches more nearly the reasonable and necessary investment in the property than the cost of reproducing it at a particular time. In those cases, of which there are many and of which the present case is an example, where it is impossible to ascertain and analyze the actual investment, resort must be had to the application, to complete property inventories, of unit prices regarded as normal in the sense that they are derived from actual costs paid by carriers over a considerable period of years when railroad construction was being carried on extensively.

The purpose is to insure reasonable adequate railroad service. Adequate service requires an adequate transportation machine. Such a machine can not be provided and maintained unless there is a continuous flow of capital into the transportation system. This flow of capital can be assured by fair treatment to the capital already invested and to the additional capital required to keep the transportation machine abreast of the times. The rule of a fair return on the fair value of the property is intended to accomplish this result. The method of valuation for rate making purposes [fol. 426] which we have adopted in these cases insures fair treatment to the investor because a fair return will be secured for every dollar that has flown into the project, provided of course that traffic is available. Whatever the price level may be, however severe the fluctuations, the method here employed will result in yielding a fair return on every dollar invested in the property. This is the greatest assurance which can be held out to prospective investors. No stronger inducements can be offered in fairness to all the interested parties.

Inasmuch as the value of this property, exclusive of land or working capital, on June 30, 1919, heretofore stated in the amount of $750,000, represents approximately the reasonable and necessary remaining investment of the carrier in such property in the condition in which it was at that time, the logical method for determining the value in the subsequent recapture periods is to add to or subtract from the

1919 value the net increases or decreases in the investment in property devoted to transportation service as determined from the carrier's returns to valuation order No. 3. The effect of this method is to add to the 1919 value the actual cost incurred by the carrier for property placed in in service after June 30, 1919, and to deduct therefrom the cost at the time of purchase of any property withdrawn and retired from service. This is substantially the method applied by former Justice Charles E. Hughes, acting as referee for the New York Supreme Court, in the case of Brooklyn Borough Gas Co. v. Public Service Commission, P. U. R. 1918F, 335. In his opinion, dated July 24, 1918, he said, at pages 348 and 349:

"If, however, we are not to take the actual cost of reproduction at the present time, or within a year or so, because it would be an abnormal cost, and we are to seek some fairer basis of estimating the value of plaintiff's property for the purpose of determining the validity of rates, it would be difficult to find any basis more just than the appraisal carefully made by public authority and based on reproduction cost before the outbreak of the European war, with proper consideration of the actual investments since that time. * * *

[fol. 427] "When the value of a plant has been properly determined by the regulating authority, and suitable allowance is made for the investment in subsequent additions, it is manifestly proper to calculate the fair return upon this basis, at least for a reasonable period. In the present case, the interval has been one of unusual circumstances incident to war and of especially high costs, and there is no reason why there should be substituted for the official appraisal a hypothetical estimate of reproduction cost under abnormal conditions reaching an amount vastly in excess of the actual investment. I conclude that the Commission's appraisal, plus an allowance for investment in subsequent additions as shown by the plaintiff's books, affords in this case a proper basis for calculating the fair return to which the plaintiff is entitled; and if the rates complained of permit a fair return on that basis, the plaintiff would have no ground for contending that it was deprived of *its* property without due process of law."

That case was one in which the gas company sued to restrain enforcement of the provisions of three statutes and an order of the New York Public Service Commission, First District, prescribing the rates to be charged for gas furnished consumers in certain portions of the borough of Brooklyn, City of New York.

Applying the method just outlined, the value for the purposes of this proceeding of the property which the O'Fallon was devoting to the service of the public during the 10 months ended December 31, 1920, was $865,065. This amount is composed of the sum of $750,000, the value of property other than land on June 30, 1919, to which is added $50,500, approximately the value of the common-carrier land as stated in the underlying land report and agreed to by the carrier, and the amount of $50,000 to cover the amount of the carrier's necessary investment in stock of materials and supplies needed as working capital in carrying on its common carrier operations during that period, besides the sum of $4,133, which has been found to be the net cost of additions and betterments less retirements during the period from July 1, 1919, to February 29, 1920, and the amount of $1,432 heretofore shown to be the average net cost of property added during the 10 months, March to December, inclusive, 1920.

[fol. 428] This method produces for the calendar year 1921, as the value of the property devoted by the carrier to common carrier service, for the purposes of this proceeding, $875,392. This amount is composed of the sum of $856,065, the value for the 10 months ended December 31, 1920, plus $9,327, which is the difference between the average net cost of property added during these 10 months and the total amount thereof which remained as an investment in the property on December 31, 1920, and plus the amount of $9,968 heretofore shown to be the average net cost of property added during the year 1921.

By the same method, the value of the property, for purposes of this proceeding, for the year 1922, was $978,864, and for the year 1923, was $978,236.

The values stated are the values of the railway property held for and used in the service of transportation by the O'Fallon during the periods designated, and they constitute the bases upon which the net railway operating income

in excess of 6 per centum for each of such periods is to be computed. In determining these amounts the property valued is regarded as an instrument of transportation, employed in performing common carrier service.

It was stipulated at the hearing that the amount of net railway operating income of the carrier for each of these periods might be entered in the record when determined and agreed upon by the commission's bureau of accounts and the carrier. Such agreement has been reached and the following amounts entered in the record, with the carrier's approval, stated to be the amounts of net railway operating income of the carrier; for the period March to December, inclusive, 1920, $147,519.89; for the year ended December 31, 1921, $182,726.73; for the year ended December 31, 1922, $165,123.47; for the year ended December 31, 1923, $147,653.98.

The order issued by the commission on January 16, 1922, giving instructions for the computation of excess income for [fol. 429] the portion of the year ended December 31, 1920, provided that such income should be primarily fixed as the income in excess of such proportion of 6 per cent on the value of the railway property held for and used in the service of transportation as the net railway operating income for the corresponding months of the test period bore to the total net railway operating income for that period. The carrier accepted this rule as a proper one in its case, and submitted computations showing that the rate to be applied would be 4.7103 per cent. The Bureau's computation, which was based upon revised figures of income, indicates a rate of 4.76178 per cent. In computing the excess income for the recapture period of 1920, the latter rate should be used.

The commission should find that the valuations of the property of the O'Fallon, and the net railway operating income of said carrier, for the period March to December, inclusive, 1920, and for the years 1921, 1922, and 1923, determined for the purposes of the recapture provision of section 15 (a) of the interstate commerce act are as stated herein.

## Value and Income of the Manufacturers

The record made at the hearing regarding the value of the property of the Manufacturers' is of the same character as that regarding the value of the property of the O'Fallon. The investigation for the purpose of ascertaining the value of this property is in progress but has not yet been concluded, pursuant to section 19a. As in the case of the O'Fallon, all property of the manufacturers' owned or used by it for its purpose as a common carrier has been inventoried, its condition determined, and an examination of its records and accounts has been made with the view to ascertaining the value of such property primarily as of June 30, 1917. At the time of the hearing the underlying accounting, engineering and land reports in the valuation investigation had been prepared and those were made a part of the [fol. 430] record as exhibits in this case. No tentative valuation of the property of the Manufacturers' had been issued at the time of the hearing and consequently the carrier had been given no opportunity to file a formal protest against the tentative valuation. The three underlying reports which had been prepared by the bureau of valuation in accordance with instructions, rules, regulations and methods approved by the commission had been served previously upon the carrier and it had been afforded an opportunity to take informal exceptions thereto. As in the case of the O'Fallon, much of the testimony and a number of the exhibits presented both by the carrier and the bureau, in so far as these relate to value of this carrier's property, make reference to, and to a considerable extent are based upon, those underlying reports.

There are in the record exhibits containing the accounting report as of June 30, 1917, and supplements thereto which bring the date therein set forth down through the respective recapture periods. In the report there is a complete corporate and financial history of the Manufacturers', a statement of the obtainable data regarding original cost of its property, an analysis of its investment in road and equipment, statements of income and profit and loss, the dividend history of the company, and the general balance sheet statement. The original cost to date for all of the common carrier property of the Manufacturers' has not

been shown for the reason that records necessary to prove such costs were not obtainable. A complete analysis of this carrier's investment in road and equipment account cannot be made for the reason that early accounting records are missing. The investment in road and equipment, including land, on June 30, 1917, is stated in the books of the Manufacturers' as $1,427,145. As restated in the accounting report, this amount is reduced to $1,378,435, of which $507,917, less an undetermined portion thereof assignable to offsetting items recorded at $25,511, represents considerations [fol. 431] other than money, the cash value of which is not known and cannot be determined. In this carrier's books there is an opening entry in the investment account of $182,417, representing amounts charged prior to 1907, for which details have not been obtained because of missing records.

Exhibits submitted by the witness for the bureau of valuation show the recorded investment in road and equipment of this carrier to have been $1,550,960 on December 31, 1920; $1,506,349 on December 31, 1921; $1,524,131 on December 31, 1922; and $1,570,378 on December 31, 1923. To these investment in road and equipment balances as reported by the company the commission's accountants have taken certain exceptions which, if sustained, would reduce the amounts as stated in the carrier's books $108,794 on December 31, 1920; $107,463 on December 31, 1921; $106,922 on December 31, 1922; and $190,767 on December 31, 1923. The accountants also pointed out that there were further deductions which should be made before an accurate restatement of this carrier's investment account could be prepared but that the information necessary for this purpose was not available.

The accountants also introduced exhibits showing the gross charges for additions and betterments to common carrier property subsequent to June 30, 1917, and the gross credits for such property as had been retired, resulting in a showing of the net increase or decrease in the original cost of common-carrier property. The net increases or decreases in original cost as restated by the accountants, are as follows:

July 1, 1917, to Feb. 29, 1920, increase $73,262.17.
March 1, 1920, to Dec. 31, 1920, increase $5,067.77.
Jan. 1, 1921, to Dec. 31, 1921, decrease $37,676.90.
Jan. 1, 1922, to Dec. 31, 1922, increase $18,343.39.
Jan. 1, 1923, to Dec. 31, 1923, increase $67,107.19.

These exhibits contain computations designed to show the average cost of the property placed in service during each of the recapture periods as heretofore explained [fol. 432] regarding similar exhibits relating to property of the O'Fallon. The average costs thus obtained for each of the periods here under consideration, are as follows:

March 1, 1920, to Dec. 31, 1920, $10,366.93.
Jan. 1, 1921, to Dec. 31, 1921, $565.30.
Jan. 1, 1922, to Dec. 31, 1922, $6,545.21
Jan. 1, 1923, to Dec. 31, 1923, $17,421.59.

The underlying engineering report which is an exhibit in this record contains the commission's engineers' estimates of the cost of reproduction new and cost or reproduction less depreciation determined with reference to the 1914 price levels as hereinbefore explained. No attempt was made by the engineers to restate these estimates of reproduction costs upon the basis of unit prices of labor or materials for the several recapture periods. As in the case of the O'Fallon, a witness for the bureau testified that in his opinion changes in the level of prices for labor and material between the year 1914 and the end of each of the four recapture periods were represented by composite index numbers, as follows: For December 31, 1920, 214; for December 31, 1921, 191; for December 31, 1922, 165; and for December 31, 1923, 181. As in the case of the O'Fallon, the witness explained that his opinion was based mainly upon the reports of the Bureau of Labor Statistics of the Department of Labor showing general changes in "all Commodity" prices for the dates just specified.

The following table compiled from figures contained in the exhibits submitted by the engineers shows the cost of reproduction new and the cost of reproduction less depreciation of property wholly owned and used by the Manufacturers', exclusive of land, on June 30, 1917, and on December 31, 1920, 1921, 1922, and 1923, based in each instance upon normal 1914 prices:

[fol. 433]

| Date | Cost of reproduction new | Cost of reproduction less depreciation |
|---|---|---|
| June 31, 1917 | $963,972 | $818,650 |
| Dec. 31, 1920 | 1,670,000 | 809,339 |
| Dec. 31, 1921 | 947,763 | 767,371 |
| Dec. 31, 1922 | 955,774 | 761,517 |
| Dec. 31, 1923 | 971,572 | 763,879 |

Since the hearing there has been made a part of the record by appropriate agreement a statement prepared by the carrier showing by accounts the actual costs of units of property put into use in common-carrier service by the Manufacturers' between July 1, 1914, and June 30, 1917, both inclusive. In the statements there is also shown the total estimated costs of reproduction new of the same items of property, as these appear in the underlying engineering report, which were arrived at as already stated by the use of unit prices as of the 1914 pricing period. The comparison of the actual and the estimated costs for the three-year period as set forth in the statement shows that the actual costs exceeded the estimated costs by the amount of $1,316.35.

On June 30, 1917, the carrier used 7.36 acres of land which it owned; the present value thereof is stated in the underlying land report, which is an exhibit in this case, as of June 30, 1917, in the amount of $239,959. The Manufacturers' was also using at that time in its common-carrier service 12.82 acres of land which it did not own, but leased from private parties. In the exhibit containing the underlying land report the present value of these lands is shown as of June 30, 1917, in the amount of $438,564. The following table based upon exhibits submitted in this record by the commission's land appraisers show for the several recapture periods the area and present value of lands wholly owned and used, and of the lands used but not owned by the Manufacturers' devoted to common-carrier services:

[fol. 434]

| | Lands owned and used | | Lands used, not owned | |
|---|---|---|---|---|
| | Acres | Present Values | Acres | Present Values |
| Dec. 31, 1920 | 6.26 | $252,976 | 12.38 | $437,322 |
| Dec. 31, 1921 | 6.23 | 255,305 | 14.35 | 535,907 |
| Dec. 31, 1922 | 6.76 | 270,034 | 14.74 | 555,504 |
| Dec. 31, 1923 | 7.29 | 287,676 | 14.74 | 555,504 |

As in the case of the O'Fallon, one of the commission's valuation accountants testified concerning the amount of working capital necessary for the carrier's use in connection with its common-carrier operations for the 10 months ended December 31, 1920, and for each of the years ending December 31, 1921, 1922 and 1923. In a revised exhibit filed after the close of the hearing, pursuant to an arrangement made at the hearing, which was based upon information furnished by the carrier in response to a questionnaire, it is made to appear that collections of revenue by the carrier in each of these periods were made promptly after the performance of the service, which resulted in a balance of receipts over expenditures sufficient to obviate the necessity of an investment by the carrier in cash for working capital purposes. The witness testified regarding the average amount representing costs of materials and supplies on hand in excess of the stock drawn upon for additions and betterments for each of the several recapture periods, and submitted an exhibit showing that these amounts were as follows: for the 10 months ended December 31, 1920, $32,229; for the year 1921, $29,965; for the year 1922, $30,367; and for the year 1923, $25,962. These amounts are 14.7, 10.5, 13.7, and 9.23 per cent. of the operating expenses for the respective periods. The accounting witness testified that the average amount carried by railway companies throughout the United States as an investment of a stock of materials and supplies for operating purposes was approximately 10 per cent. of their average annual operating expenses. The accounting report in evidence here shows that the Manufacturers' investment in material and supplies on June 30, 1917, was $14,196.57. It [fol. 435] is evident from a consideration of the evidence relating to working capital that the Manufacturers' investment in materials and supplies for each of the years mean-

ured its needs for working capital purposes, and that it did not require an investment in cash in addition to the investment in materials and supplies.

As in the case of the O'Fallon, a witness for the carrier submitted evidence of value of the property of the Manufacturers' based upon inventories made by the commission's valuation engineers as of June 30, 1917, to which had been applied prices as of the 1914 period, thereby obtaining the cost of reproduction new and cost of reproduction less depreciation as stated in the underlying engineering reports. The witness made adjustments of the underlying inventories for each of the recapture periods based upon reports the carrier had made to the commission in compliance with valuation order No. 3 for the purpose of showing the quantities and kinds of material on hand at the end of each of the recapture periods. He applied ratios which in his opinion represented increases in prices of labor and materials between the year 1914 and the respective recapture periods and undertook in this way to state the cost of reproduction new of the road and equipment as of December 31, 1920, 1921, 1922 and 1923. To the resulting reproduction cost estimates he added the values of lands wholly owned and used, and used but not owned, the value, according to his opinion, of certain electrical installation, and the amount of cash actually on hand, and the book investment in material and supplies, and by this process arrived at values for the respective recapture periods as shown in the following table:

| | Dec. 31, 1920 | Dec. 31, 1921 | Dec. 31, 1922 | Dec. 31, 1923 |
|---|---|---|---|---|
| Road and equipment (not including land) | $2,103,953.30 | 1,467,562.51 | 1,462,287.01 | 1,516,457.56 |
| Land—owned | 502,072.94 | 503,748.55 | 506,262.04 | 572,674.34 |
| Land—leased | 438,564.40 | 567,023.15 | 574,679.40 | 574,679.40 |
| Electric installation | 182,504.00 | 182,504.00 | 182,504.00 | 182,504.00 |
| Cash | 39,447.86 | 105,337.15 | 41,493.41 | 60,133.83 |
| Materials and supplies | 39,077.55 | 37,450.49 | 35,107.23 | 27,866.54 |
| Total | $3,305,620.14 | 2,863,625.85 | 2,802,333.09 | 2,934,315.69 |

[fol. 436] It is evident from examination of the evidence relating to the value of the property of the Manufacturers' that it is not necessary, for the purposes of this proceeding, for the commission to reach a conclusion as to the value of this property for any of the recapture periods. The net railway operating income of the Manufacturers' as determined by the commission's bureau of accounts and the carrier's accountants, for each of the recapture periods was as follows:

| | |
|---|---|
| For the period March to December, inclusive, 1920 | $64,526.97 |
| For the year ended December 31, 1921 | 52,082.13 |
| For the year ended December 31, 1922 | 95,259.34 |
| For the year ended December 31, 1923 | 84,371.29 |

This investigation indicates conclusively that no excess income is recoverable from the Manufacturers' for any of the recapture periods here under consideration, and the commission should so find.

6. Copy of report and order, dated February 15, 1927, of interstate commerce commission, consisting of 74 pages, entered in Finance Dockets, Nos. 3908 and 4026, being, respectively, excess income of St. Louis & O'Fallon Railway Company and excess income of Manufacturers' Railway Company. A true copy of this report and order is made a part of and annexed to petitioner's bill of complaint as Exhibit A.

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[fol. 437] Petitioner's Exhibit 3 Continued

(7) Miscellaneous Documents, Orders, and Letters Contained in Record Before Interstate Commerce Commission

Copies of orders of the Commission extending the effective date of the order entered on February 15, 1927, in these proceedings to July 15, 1927, and then to November 15, 1927.

Copy of commission's general order of January 16, 1922. This order is set forth in full as Appendix A to the report and decision of the Commission, which report and decision

and Appendix is attached to as Exhibit B and made a part of petitioner's bill of complaint.

Orders dated February 4, 1922, March 16, 1922, March 21, 1923, and March 17, 1924, making the above order of January 16, 1922 applicable to the succeeding recapture periods ended December 31, 1921, December 31, 1922, and December 31, 1923.

Letter from Philip Marsh, Auditor of St. Louis & O'Fallon Railway Company to Mr. Mahaffie, Director of the Bureau of Finance of the Commission, dated October 3, 1922, as follows:

"I have your letter of September 29 wherein you make reference to former letters on the subject of excess income on the St. Louis and O'Fallon Railway.

"I wish to say for your information that the St. Louis and O'Fallon Railway and the Manufacturers' Railway are owned by the same people and are operated separately.

"I presume the Interstate Commerce Act that you refer to works both ways. That Act, of course does not obligate the government to guarantee a 6% net earning, 5½% of which would be applicable to interest or dividend, or in other words, produce a return on the investment.

"The owners of these two properties feel that the law should be applied to both properties and if there are excess earnings on the St. Louis and O'Fallon Railway, that it should be applied towards a return on the amount invested in the Manufacturers' Railway, as earnings from divisions allowed by the trunk lines barely pay operating expenses and taxes, but leave nothing to apply on the value of property.

"The owners of the Manufacturers' Railway have received no returns for more than ten years on the value of the property."

Letter from Director Mahaffie to Philip Marsh, dated October 12, 1922, acknowledging receipt of letter of Octo-
[fol. 438] ber 3, 1922, and stating:

"In the event that the above mentioned companies may be considered operated as a single system, it would seem proper to render consolidated returns in response to the orders of January 16 and March 16, 1922, setting forth

the facts relative to the property values used for each carrier as well as the details of railway operating income for both periods. In any case, you should comply with the orders referred to without further delay."

Letter, dated February 12, 1923, from Clark & La Roe to Director Mahaffie, stating:

"Your letter of January 19 last addressed to Mr. Marsh, Auditor for the St. Louis and O'Fallon Railway Company, St. Louis, Mo., for which company we have been retained as counsel, has been referred to us for attention.

"Responsive to the Commission's orders of January 16 and March 16, 1922, in the matter of excess railway operating income under the provisions of Section 15a of the Interstate Commerce Act, and pursuant to the provisions of paragraph (6), Section 15a, of the said Act, we transmit herewith five copies of a statement showing operating revenues and expenses and net railway operating income for the period from March 1, 1920 to December 31, 1921. These statements are submitted with the understanding that the amounts shown are subject to appropriate correction upon any revision of the accounts that may be found necessary; that the St. Louis and O'Fallon Railway Company and the Manufacturers Railway Company must be considered as a group of carriers under common control and management as more particularly set forth by paragraph (6) of Section 15a of the Interstate Commerce Act; that the value of the properties devoted to the public use and upon which the carriers are entitled to earn a fair return is not adequately reflected in the investment accounts upon which the computations of the attached statements are predicated; and that the accompanying data is submitted with a reservation of all rights accruing to the St. Louis and O'Fallon Railway Company and the Manufacturers Railway Company under the law."

Letter, dated February 16, 1923, from Director Mahaffie to Clark & La Roe, acknowledging receipt of above letter.

Statement referred to in above letter showing net railway operating income and proposed allowance under Section 15a of interstate commerce act for the last ten months

in 1920 and the calendar year 1921 for both Manufacturers' and O'Fallon.

Letter, dated February 26, 1923, from Clark & La Roe, enclosing consolidated returns for both carriers and saying concerning the subject of single-system operation:

[fol. 439] "We have consolidated our returns because we felt that our two companies really constitute a system, as outlined in paragraph (6), Section 15a, of the Interstate Commerce Act. Both of our companies are owned and controlled by the Adolphus Busch Estate, and the stock is very largely distributed to the heirs of the late Adolphus Busch. The management of the two companies is identical. The executive, operating and accounting officers are the same. The clerical forces of both properties in the general office are jointly employed by the two companies. The operation of the properties is in the hands of the same executives, and their welfare and interests are considered of equal importance."

Letter, dated February 19, 1923, from Clark & La Roe to Director Mahaffie, relating to filing of returns.

Letter, dated March 1, 1923, from Director Mahaffie to Clark & La Roe, requesting payment, reads as follows:

Receipt is acknowledged of your letter of February 26, 1923, File 63, transmitting amended returns of the Manufacturers Railway Company and the St. Louis & O'Fallon Railway Company in response to the Commissioner's orders dated January 16, 1922, and March 16, 1922, "In the matter of the recovery and payment of excess railway operating income under the provisions of section 15a of the Interstate Commerce Act."

The amended returns show for the period ended December 31, 1920, excess income of $35,163.10, and for the year ended December 31, 1921, excess income amounting to $60,359.42. Section 15a imposes upon carriers the duty of placing one-half of the excess income received in a reserve fund and of paying the other one-half to the Commission for the purpose of establishing and maintaining a general railroad contingent fund.

Please, therefore, advise whether it is the intention of the reporting carriers to comply with the provisions of the

statute above referred to, and if such is not the intention, it is requested that the Commission be informed of the reasons relied upon in justification of their non-compliance.

[fol. 440] Document, consisting of 15 pages, being preliminary recapture return for the ten months ended December 31, 1920, and for the calendar year ended December 31, 1921, for both Manufacturers' and O'Fallon, together with affidavit of Philip Marsh, Auditor, certifying the correctness of same.

Letter, dated March 10, from Clark & La Roe to Director Mahaffie acknowledging receipt of a letter.

Letter, dated March 20, 1923, from William Cotter, President of Manufacturers' and O'Fallon, to Director Mahaffie, relating to future action by Commission, reading as follows:

Our legal advisors in Washington have forwarded to us a copy of your letter, under date of March 1, with reference to excess income on the Saint Louis and O'Fallon Railway.

I would like to have you say if you are attempting to collect from us any portion of the so-called excess income.

If your letter is to be construed as an attempt to collect that money for us, we will then advise you of what we will do in the premises.

Letter, dated March 28, 1923, from Director Mahaffie to William Cotter, President of Manufacturers' and O'Fallon, requesting statement of carrier's intentions, reading as follows:

I have your letter of March 20th, replying to mine of March 1st, and asking whether the latter is to be construed as "an attempt to collect" an amount shown by the returns of the Manufacturers Railway Company and the St. Louis & O'Fallon Railway Company as excess railway operating income under section 15a of the Interstate Commerce Act.

My letter of March 1st should be construed as a request to be informed whether or not it is the intention of these companies to comply with the orders of the Commission dated January 16 and March 16, 1922, pursuant to the provisions of the said section.

[fol. 441] For your information I direct your attention to the recent decision of the United States District Court for the Eastern District of Texas in Dayton-Goose Creek Railway Company vs. The United States of America et al., in which the provisions of section 15a are discussed and sustained.

Letter, dated March 1, 1924, to William Cotter, President of Manufacturers' and O'Fallon, from Director Mahaffie requesting statement of carrier's intentions, reading as follows:

Reference is made to previous correspondence relative to disposition of excess income reported in the returns of the Manufacturers Railway Company and O'Fallon Railway Company, in response to the various orders of the Commission "In the matter of the recovery and payment of excess railway operating income under the provisions of section 15a of the Interstate Commerce Act."

Since the correspondence above referred to the Supreme Court in the Dayton-Goose Creek Railway case has upheld the constitutionality of the so-called recapture provisions of section 15a. In view of this decision it is requested that you further advise the Commission as to the intentions of your company with respect to compliance with those provisions of the law requiring that one-half of the excess income received be remitted to the Commission and that the remaining one-half of the excess income be placed in a reserve fund to be maintained by the carrier.

Letter, dated March 11, 1924, from A. E. Wright to Director Mahaffie relating to proposed conference, reading as follows:

[fol. 442] Your letter of March 1, file ESR-LHM, and our response of March 4, relating to compliance on the part of our companies with the provisions of the so-called recapture clause of the Interstate Commerce Act.

Mr. Cotter is now in California, and expects to return to Saint Louis on March 28, or 29, and shortly thereafter plans to go to Washington for a conference with you concerning this matter.

It is our purpose to settle this question in a way which will be satisfactory to the Commission and to the Government. We have no intention of questioning the decision of the Supreme Court in the Dayton-Goose Creek case.

There are some details in connection with the returns for both of our companies concerning which we are not fully familiar and Mr. Cotter would very much appreciate your awaiting his visit to you, when a full understanding of our obligation will be ascertained and met.

We will appreciate your advising us if this will be satisfactory.

Exchange of letters between Clark & La Roe and Director Mahaffie, both dated April 19, 1924, arranging for conference between the parties on April 25, 1924, at 11:30 a. m., relative to section 15a matters.

Letter, dated June 5, 1924, from Director Mahaffie to Philip Marsh requesting further copies of returns.

Document, consisting of 11 sheets, being revised recapture returns for ten months' period ended December 31, 1920, for Manufacturers' and O'Fallon.

Letter, dated May 20, 1924, from Director Mahaffie to Clark & La Roe, acknowledging receipt of the above recapture returns.

Letter, dated May 22, 1924, from Clark & La Roe to Director Mahaffie relating to copies of returns.

Letter, dated May 31, 1924, from Director Mahaffie to Clark & La Roe relating to copies of returns.

Letter, dated May 29, 1924, from Clark & La Roe to Director Mahaffie relating to copies of returns.

Oath, dated May 27, 1924, of Philip Marsh, certifying to correctness of certain recapture returns.

[fol. 443] One sheet—Combined statements for O'Fallon and Manufacturers' showing Net Railway Operating Income and Proposed Allowance for period March 1, 1920 to December 31, 1920, and for calendar year 1921.

Letter, dated June 5, 1924, from Director Mahaffie to Philip Marsh, requesting additional recapture returns from O'Fallon.

Document, consisting of 10 sheets, being second revised recapture return for O'Fallon and Manufacturers' and consolidated return for both carriers for year ended De-

cember 31, 1921, together with oath of Philip Marsh certifying as to correctness of same.

Letter, dated May 20, 1924, from Director Mahaffie to Clark & La Roe acknowledging receipt of recapture returns of O'Fallon and Manufacturers' for 10 months' period ended December 31, 1920 and calendar years 1921 and 1922.

Letter, dated June 5, 1924, from Director Mahaffie to Philip Marsh, requesting additional copies of O'Fallon's recapture returns.

Document, consisting of 11 sheets, being recapture returns for O'Fallon and Manufacturers' and consolidated return for both carriers for year ended December 31, 1922, together with oath of Philip Marsh certifying as to correctness of same.

Letter, dated May 20, 1924, from Director Mahaffie to Clark & LaRoe, acknowledging receipt of returns, and requesting further sworn statements.

Letter dated May 26, 1924, from Clark & LaRoe to Director Mahaffie, enclosing requested sworn statement.

[fol. 444] Letter, dated April 26, 1924, from Clark & La Roe, attorneys for the two carriers, to Director Mahaffie, as follows:

"Pursuant to understanding had in conference at your office yesterday in connection with the present by Mr. Cotter and other officers of the St. Louis & Fallon Railway and the Manufacturers' Railway of report for those properties under the recapture provisions of the Act, I submit the reasons upon which our conclusions and contention that the two properties named should be considered as 'a group of carriers, which * * * are under common control and management, and are operated as a single system', and are entitled to have the values of their railway properties and their net railway operating incomes 'computed for the system as a whole' irrespective of the separate accounting returns of the parts of such systems, are based.

"The St. Louis & O'Fallon Railway Company and the Manufacturers' Railway Company are separate corporate entities, both of which are common carriers subject to the jurisdiction of the Interstate Commerce Act.

"There is almost complete common ownership of these properties. The Adolphus Busch estate owns more than a

majority of the stock of each. Excepting sixty-five shares of the Manufacturers' Railway Company's stock, and a few qualifying directors' shares, all of the stock of both companies is owned by the Adolphus Busch estate, or by members of the Busch family.

"The St. Louis & O'Fallon property is in Illinois. The law of that state requires that three directors of the company shall be residents of Illinois. The Manufacturers' Railway Company have five directors. The O'Fallon Company has seven directors. Three members of the Board of the Manufacturers' Company are also members of the O'Fallon Board.

"All of the officers of these companies are common to both companies, and all of the general office employees are common to both companies. The offices, which are common between the two companies, are located in St. Louis, Mo.

"The engine repair shop for both companies is on the Manufacturers' Railway in St. Louis, Mo. The car repair shop for both companies is on the O'Fallon Railway in East St. Louis, Ill.

[fol. 445] "There is not at the present time a direct physical connection between the rails of these two properties. They possess, however, perpetual right to run trains, engines and crews through from the O'Fallon to the Manufacturers' and vice versa over the St. Louis Terminal tracks, and this right is exercised whenever desired.

"The train and engine employees of the respective companies are carried on the payroll of the company to whose work they are assigned, but whenever crews run through from a point on one of the roads to a point on the other road, their compensation is charged to the respective companies on the basis of the service performed. All of them are paid standard wages.

"That the purpose is to physically connect these two properties is evidenced by the fact that the O'Fallon road has acquired and now owns some thirty acres of land at the eastern end of the Municipal Bridge across the Mississippi River. This land was purchased and is held for the purpose of making a direct connection between the roads as soon as the Municipal Bridge is opened for railroad use. We are informed, and confidently believe, that funds with

which to complete the rail approach on the Missouri side have been provided in a recently authorized municipal bond issue. Rails are now installed on the bridge proper.

"About two years ago plans for the consolidation and merger of these properties were perfected and were brought to Washington to present to the Commission. Upon receiving advice that the Commission could not approve such a merger until the consolidation of railways plan is finally adopted, the application was withheld and was not filed with the Commission.

"The rates to and from points on the Manufacturers' Railway are the common St. Louis rates to which the Manufacturers' Railway is a party and out of which it gets divisions in the form of switching or terminal allowance which is absorbed by the line haul carriers.

"The rate from a point on the O'Fallon to a point on the Manufacturers' is exactly the same as from the same point on the O'Fallon to any other point of delivery in the St. Louis district. In the division of these rates between the carriers the line haul carrier to East St. Louis gets a larger division if the delivery is at a point on the rails of the Ter-[fol. 446] minal Association of St. Louis than it gets if the delivery is at a point on the rails of some other carrier and the Terminal Association is a necessary intermediate carrier. The rate paid by the shipper, however, is the same.

"Similarly, on shipments to or from St. Louis over the trunk lines, some find origin or destination on the tracks of the Terminal Association, and the trunk line absorbs out of the St. Louis rate a single charge of the Terminal Association. If, however, the origin or destination is on the rails beyond the Terminal Association lines and the Terminal Association acts as an intermediate carrier, the line haul carrier absorbs the switching charges of both the Terminal Association and of the company upon whose rails the shipment originates or is delivered. The St. Louis rate, however, applies in both instances.

"The rates upon which most of the freight traffic of the O'Fallon road moves are published in a joint agency tariff. Naturally, the O'Fallon is a participating carrier in joint through tariffs published by other carriers, and likewise the Manufacturer's Railway is a concurring carrier in the

numerous joint rate tariffs apply to and from points on its line.

"Although these are comparatively small properties they are, of course, entitled to an application of the same principle of law that would apply to larger properties. Ownership, control, and operation of these properties have been more close than that between numerous other properties in larger systems, as to which presumably no question would be raised. And for example, the Michigan Central or the Big Four as parts of the New York Central System. Each of these has separate operating, accounting, mechanical, and law organizations and officers, although all of them come under the general supervision of the higher executive officers of the system. Each of them publishes its own tariffs and concurs in many tariffs published by joint agents or other carriers. The Michigan Central would publish its own rates from Chicago and other points on its lines to New York, for example, and they would be concurred in by the New York Central, which performs a haul East of the Niagara frontier.

"The fact of the absence at the present time of the physical connection between the Manufacturers' and the O'Fallon should not prejudice our contention for the reason that such connection has been waiting and is waiting the completion of the bridge that will be and would naturally be used.

[fol. 447] "The fact that the two properties have not been merged into one corporation should not prejudice our contention, for the reason that but for the impossibility of getting the required authorization from the Commission such merger would have been effected ere now.

"It is respectfully submitted that these two properties should be considered as a single system in determining their liability and the amount of that liability under the recapture provisions of the Act. If further information is desired, we shall, as stated, to you by Mr. Cotter, be ready to cheerfully furnish same upon request."

Document, consisting of 7 sheets, being a consolidated return and separate returns for the O'Fallon and the Manufacturers' for the year ended December 31, 1923.

Letter, dated May 19, 1924, from Director Mahaffie to Clark & La Roe, acknowledging receipt of the above returns and requesting oath certifying as to correctness of same.

Letter, dated May 20, 1924, from Clark & La Roe to Director Mahaffie, referring to furnishing of oath.

Letter, dated May 26, 1924, from Clark & La Roe to Director Mahaffie, enclosing requested oath.

Oath, dated May 22, 1924, of Philip Marsh, certifying as to correctness of foregoing returns.

Document, consisting of 7 sheets, being a duplicate copy of consolidated return and separate returns of O'Fallon and Manufacturers' for year ended December 31, 1923.

Letter, dated June 5, 1924, from Director Mahaffie to Philip Marsh, requesting additional copies of O'Fallon's recapture returns.

[fol. 448] Deed, consisting of 8 sheets, dated February 1, 1915, conveying certain land in the City of St. Louis to the Manufacturers'.

[fol. 448] Record of Equipment, as of December 31, 1923, of the Saint Louis and O'Fallon Railway Company

| Items | Date purchased | Original cost per unit | Total original cost | Additions and betterments | Total depreciation at 4% |
|---|---|---|---|---|---|
| Locomotive No. 3 | May, 1904 | $12,500 00 | $12,500 00 | $453 32 | $6,661 34 |
| Locomotive No. 4 | Dec., 1906 | 15, 00 | 15,000 00 | 453 32 | 8,000 64 |
| Locomotive No. 5 | Dec., 1910 | 17,608 27 | 17,608 27 | 793 24 | 8,315 39 |
| Coaches Nos. 43, 44, 45, 46 | Dec., 1912 | 551 06 | 2,204 25 | ..... | 859 71 |
| Coach No. 47 | Dec., 1912 | 900 00 | 900 00 | ..... | 351 00 |
| Coach No. 48 | Oct., 1917 | 1,122 10 | 1,122 10 | ..... | 274 89 |
| Coach No. 49 | Nov., 1918 | 1,000 00 | 1,000 00 | ..... | 199 80 |
| 107 Gondolas, Nos. 2500 to 2699 | Nov., 1905 | 725 00 | 77,575 00 | ..... | 41,114 82 |
| 219 Gondolas, Nos. 2700 to 3000 | Nov., 1906 | 885 00 | 193,815 00 | ..... | 102,721 95 |
| 50 8-Door drop bottom coal cars, Nos. 2325 to 2374 | Converted July, 1921 | 1,257 49 | 62,874 57 | ..... | 6,287 40 |
| 50 8-Door drop bottom coal cars, Nos. 2200 to 2224, 2375 to 2399 | Converted Jan., 1922 | 1,259 00 | 62,950 05 | ..... | 5,035 92 |
| 50 Hoppers, Nos. 2400 to 2499 | Dec., 1914 | 819 37 | 40,968 50 | ..... | 12,700 41 |
| 11 8-Door drop bottoms, Nos. 2300, 2303, 2306, 2307, 2308, 2311, 2312, 2315, 2316, 2318, 2324 | Converted Mar., 1916 | 879 53 | 9,674 80 | ..... | 4,694 10 |
| 14 8-Door drop bottoms, Nos. 2301, 2301, 2304, 2305, 2309, 2310, 2313, 2314, 2317, 2319, 2320, 2321, 2322, 2323 | Converted Mar., 1916 | 1,039 51 | 14,553 14 | ..... | 7,161 37 |
| 50 Bottom dump coal cars, Nos. 9500 to 9549 | Oct., 1921 | 900 00 | 45,000 00 | 95 03 | 4,058 64 |
| 25 Bottom dump coal cars, Nos. 8050 to 8074 | Oct., 1921 | 600 00 | 15,000 00 | 47 51 | 1,354 32 |
| 3 Hopper bottom gondolas, Nos. 6075 to 6077 | Oct., 1921 | 400 00 | 1,200 00 | 5 70 | 108 27 |
| [fol. 449] 2 Hat cars, Nos. 11 and 15 | Unknown | 300 00 | 600 00 | ..... | 318 00 |
| 6 Side dumps, Nos. 30 to 35 | Unknown | 417 50 | 2,505 00 | ..... | 1,327 50 |
| 1 Box car, No. 3020 | Nov., 1921 | 577 80 | 577 80 | ..... | 50 18 |
| 1 Coal car, No. 16 | July, 1917 | 300 00 | 300 00 | 150 00 | 197 50 |
| 1 Coal car, No. 2807 | Jan., 1919 | 1,093 50 | 1,093 50 | ..... | 215 35 |
| 1 Coal car, No. 2500 | Jan., 1919 | 1,009 57 | 1,009 57 | ..... | 198 83 |
| 1 12-Door drop bottom composite, No. 1250 | July, 1921 | 3,134 22 | 3,134 22 | ..... | 313 50 |
| 1 Caboose, No. 500 | Unknown | 530 00 | 530 00 | ..... | 281 00 |
| 2 Cabooses, Nos. 507, 509 and 510 | Unknown | 525 00 | 1,575 00 | ..... | 834 60 |
| 2 Western dump cars, Nos. 36 and 37 | Jan., 1921 | 775 34 | 1,550 67 | ..... | 186 12 |
| Totals | | | $586,821 44 | $1,998 12 | $213,822 55 |

Record of Equipment of Manufacturers' Railway Company, as of December 31, 1923, showing date purchased, purchase price, additions and betterments, date of depreciation at 4% and total depreciation.

Map, entitled "Railroad Map of St. Louis, Mo.—East St. Louis, Ill. and Adjacent Territory, 1921."

[Photostatic copy attached.]

Contract, consisting of 14 sheets, dated January 19, 1903, between The St. Louis & O'Fallon Railway Company and St. Louis, O'Fallon & Lebanon Electric Railway Company, relating to the joint operation of certain tracks and setting forth a traffic and trackage agreement.

Collection of letters, 3 letters dated June 2, 1921, May 24, 1921 and August 28, 1916, respectively, between William [fol. 450] Cotter, President of Manufacturers', and A. Robertson, Vice-President of the Missouri Pacific Railroad Company, setting forth an agreement under which the Manufacturers' operates its locomotives across the right-of-way and tracks of the Missouri Pacific Railroad Company in the vicinity of Arsenal Street, City of St. Louis, Missouri.

Document, a copy, consisting of 2 sheets, of a shipping order issued by the Manufacturers' Railway Company in the name of the Missouri-Pacific, care of the I-GN, covering a shipment from Benjamin Moore & Company, in St. Louis, Missouri, consigned to Builders' Supply Company, San Antonio, Texas.

Articles of Incorporation of Manufacturers' Railway Company.

Articles of Incorporation of The St. Louis & O'Fallon Railway Company.

List of Joint Officers and Employees of Manufacturers' Railway Company and The St. Louis & O'Fallon Railway Company

| Name | Title | Department |
|---|---|---|
| William Cotter | President and General Manager | Executive and Operating |
| A. E. Wright | Assistant to President and Secretary | |
| C. R. Humphreys | Clerk | |
| Mary Gibbons | Stenographer | |
| Philip Marsh | Auditor and Treasurer | Accounting |
| J. Rahrenfelt | Accountant | |
| Ida Wachter | Clerk | |
| Leona Heideman | Stenographer | |
| Omar D. Law | Per Diem and Claim Clerk | |
| O. Kortjohn | * * * Reclaim * | |

[fol. 451]

| | | |
|---|---|---|
| Hollis Marsh | Chief Engineer | Engineering |
| A. L. Browne | General Agent and Traffic Manager | Traffic |
| R. C. Harrison | Purchasing Agent | Purchasing |
| Laura Dauwalter | Stenographer | |
| H. J. Tietae | General Freight Agent and Car Accountant | Transportation |
| C. P. Harrigan | Chief Clerk | |
| Irving Hewitt | Clerk | |
| Louise Kramer | Stenographer | |
| Clarence Missler | Messenger | |
| Christine Goedecker | Telephone Operator | |
| C. F. Gregory | Master Mechanic | Mechanical |
| F. W. Schildknecht | Clerk | |
| Leo Robertson | Clerk | |
| S. J. Sullivan | Special Agent | Police |

Statement of Coal Received from the St. Louis & O'Fallon Railway Company by Manufacturers' Railway Company During August, 1924

| Date | Car No. | Initials | Consignor | Consignee |
|---|---|---|---|---|
| 8- 1-24 | 2966 | St. L. O'F. | St. L. & O'F. Coal Co. | Schallart Bros. |
| " | 2857 | " | " | Manufacturers Ry. |
| " | 9528 | " | " | Anheuser-Busch, Inc. |
| " | 9517 | " | " | " " |
| " | 9527 | " | " | " " |
| " | 9516 | " | " | " " |
| " | 2210 | " | " | " " |
| " | 2408 | " | " | " " |
| " | 2399 | " | " | " " |
| " | 2318 | " | " | " " |
| " | 2217 | " | " | " " |
| " | 2408 | " | " | " " |
| " | 2417 | " | " | " " |
| " | 2420 | " | " | Wurst Coal & Hlg. Co. |
| 8- 3-24 | 2841 | " | " | Manufacturers Ry. |
| " | 2808 | " | " | Anheuser-Busch, Inc. |
| " | 2360 | " | " | " " |
| " | 9544 | " | " | " " |
| " | 2447 | " | " | " " |
| " | 2425 | " | " | " " |
| " | 2400 | " | " | " " |
| " | 2318 | " | " | " " |
| " | 2429 | " | " | " " |
| " | 2424 | " | " | " " |
| " | 2427 | " | " | " " |
| " | 2431 | " | " | " " |
| [fol. 452] | | | | |
| " | 9506 | " | " | " " |
| " | 2441 | " | " | " " |
| 8- 6-24 | 2734 | " | " | Manufacturers Ry. |
| " | 9505 | " | " | Anheuser-Busch, Inc. |
| " | 2218 | " | " | " " |
| " | 2332 | " | " | " " |
| " | 2448 | " | " | " " |
| " | 9504 | " | " | " " |
| " | 2438 | " | " | " " |
| " | 9511 | " | " | " " |
| " | 2302 | " | " | " " |
| " | 9501 | " | " | " " |
| " | 9512 | " | " | " " |
| " | 2358 | " | " | " " |
| " | 2222 | " | " | " " |

| Date | Car No. | Initials | Consignor | Consignee |
|---|---|---|---|---|
| 8- 8-24 | 2726 | " | " | Wurst Coal & Hlg. Co. |
| " | 2826 | " | " | Commercial Coal Co. |
| " | 2325 | " | " | Anheuser-Busch, Inc. |
| " | 2432 | " | " | " " |
| " | 2444 | " | " | " " |
| " | 9535 | " | " | " " |
| " | 2349 | " | " | " " |
| " | 2307 | " | " | " " |
| 8- 9-24 | 2740 | " | " | Manufacturers Ry. |
| 8- 9-24 | 2414 | " | " | Anheuser-Busch, Inc. |
| " | 2407 | " | " | " " |
| " | 2410 | " | " | " " |
| " | 2434 | " | " | " " |
| " | 2421 | " | " | " " |
| " | 9524 | " | " | " " |
| " | 2436 | " | " | " " |
| " | 2426 | " | " | " " |
| " | 9546 | " | " | " " |
| " | 9543 | " | " | " " |
| " | 9539 | " | " | " " |
| " | 2411 | " | " | " " |
| 8-11-24 | 2849 | " | " | Schallert Bros. Coal Co. |
| " | 2415 | " | " | Anheuser-Busch, Inc. |
| " | 2418 | " | " | " " |
| " | 9523 | " | " | " " |
| " | 2446 | " | " | " " |
| " | 9520 | " | " | " " |
| " | 2437 | " | " | " " |
| 8-12-24 | 2536 | " | " | Manufacturers Ry. |
| " | 2428 | " | " | Anheuser-Busch, Inc. |
| " | 2315 | " | " | " " |
| " | 2430 | " | " | " " |
| " | 2300 | " | " | " " |
| " | 9548 | " | " | " " |
| " | 9537 | " | " | " " |
| 8-13-24 | 2748 | " | " | Wurst Coal & Hlg. Co. |
| " | 2401 | " | " | Anheuser-Busch, Inc. |
| " | 9514 | " | " | " " |
| " | 2402 | " | " | " " |
| " | 9516 | " | " | " " |
| " | 2424 | " | " | " " |
| " | 2420 | " | " | " " |
| [fol. 453] | | | | |
| 8-14-24 | 2408 | " | " | " " |
| " | 9508 | " | " | " " |
| " | 2429 | " | " | " " |
| " | 2440 | " | " | " " |
| " | 2419 | " | " | " " |
| " | 2416 | " | " | " " |
| 8-15-24 | 2895 | " | " | Manufacturers Ry. |
| " | 2441 | " | " | Anheuser-Busch, Inc. |
| " | 2406 | " | " | " " |
| " | 2442 | " | " | " " |
| " | 2405 | " | " | " " |
| " | 2447 | " | " | " " |
| " | 9547 | " | " | " " |
| 8-16-24 | 9506 | " | " | " " |
| " | 2431 | " | " | " " |
| " | 2427 | " | " | " " |
| " | 9505 | " | " | " " |
| " | 2218 | " | " | " " |
| " | 9504 | " | " | " " |

| Date | Car No. | Initials | Consignor | Consignee |
|---|---|---|---|---|
| 8-17-24 | 2620 | " | " | Manufacturers Ry. |
| " | 2438 | " | " | Anheuser-Busch, Inc. |
| " | 2356 | " | " | " " |
| " | 2409 | " | " | " " |
| " | 2443 | " | " | " " |
| " | 9513 | " | " | " " |
| 8-19-24 | 2582 | " | " | Wurst Coal & Hlg. Co. |
| " | 2771 | " | " | Manufacturers Ry. |
| " | 9502 | " | " | Anheuser-Busch, Inc. |
| " | 2392 | " | " | " " |
| " | 2343 | " | " | " " |
| " | 2307 | " | " | " " |
| " | 2400 | " | " | " " |
| " | 2433 | " | " | " " |
| " | 9533 | " | " | " " |
| 8-20-24 | 2381 | " | " | " " |
| " | 2448 | " | " | " " |
| " | 2410 | " | " | " " |
| " | 2434 | " | " | " " |
| " | 2425 | " | " | " " |
| " | 2311 | " | " | " " |
| " | 2335 | " | " | " " |
| " | 2367 | " | " | " " |
| " | 2398 | " | " | " " |
| " | 2355 | " | " | " " |
| 8-21-24 | 2937 | " | " | Schallert Bros. Coal Co. |
| " | 2700 | " | " | Wurst Coal & Hlg. Co. |
| " | 2643 | " | " | Commercial Coal Co. |
| " | 2360 | " | " | Anheuser-Busch, Inc. |
| " | 9531 | " | " | " " |
| " | 2407 | " | " | " " |
| " | 9549 | " | " | " " |
| " | 9538 | " | " | " " |
| " | 9535 | " | " | " " |
| " | 2324 | " | " | " " |
| " | 2337 | " | " | " " |
| 8-23-24 | 2745 | " | " | Manufacturers Ry. |
| " | 800 | B. & E. | " | Anheuser-Busch, Inc. |
| " | 2406 | St. L. O'F. | " | " " |
| " | 9501 | " | " | " " |
| " | 2421 | " | " | " " |
| " | 2432 | " | " | " " |
| [fol. 454] | | | | |
| " | 9522 | " | " | " " |
| " | 2417 | " | " | " " |
| " | 2418 | " | " | " " |
| " | 9536 | " | " | " " |
| " | 2361 | " | " | " " |
| " | 9546 | " | " | " " |
| " | 2224 | " | " | " " |
| " | 2436 | " | " | " " |
| " | 2313 | " | " | " " |
| " | 2411 | " | " | " " |
| " | 9543 | " | " | " " |
| " | 9520 | " | " | " " |
| 8-24-24 | 2212 | " | " | " " |
| " | 9523 | " | " | " " |
| " | 2408 | " | " | " " |
| " | 9548 | " | " | " " |
| " | 9514 | " | " | " " |
| " | 9528 | " | " | " " |
| " | 2416 | " | " | " " |
| " | 9517 | " | " | " " |

| Date | Car No. | Initials | Consignor | Consignee |
|---|---|---|---|---|
| 8-26-24 | 2801 | " | " | Manufacturers Ry. |
| " | 2402 | " | " | Anheuser-Busch, Inc. |
| " | 2415 | " | " | " " |
| " | 2440 | " | " | " " |
| " | 9527 | " | " | " " |
| " | 9503 | " | " | " " |
| " | 9542 | " | " | " " |
| " | 2437 | " | " | " " |
| " | 9510 | " | " | " " |
| 8-27-24 | 2688 | " | " | Schallert Bros. |
| " | 2420 | " | " | Anheuser-Busch, Inc. |
| " | 2423 | " | " | " " |
| " | 9503 | " | " | " " |
| " | 2449 | " | " | " " |
| " | 9516 | " | " | " " |
| " | 9500 | " | " | " " |
| " | 2324 | " | " | " " |
| " | 2218 | " | " | " " |
| 8-28-24 | 2848 | " | " | Commercial Coal Co. |
| " | 2425 | " | " | Anheuser-Busch, Inc. |
| " | 2410 | " | " | " " |
| " | 2434 | " | " | " " |
| " | 2419 | " | " | " " |
| " | 9519 | " | " | " " |
| " | 9531 | " | " | " " |
| " | 2448 | " | " | " " |
| 8-29-24 | 2836 | " | " | Manufacturers Ry. |
| " | 9501 | " | " | Anheuser-Busch, Inc. |
| " | 2421 | " | " | " " |
| " | 9512 | " | " | " " |
| " | 9533 | " | " | " " |
| " | 9549 | " | " | " " |
| " | 2400 | " | " | " " |
| " | 9538 | " | " | " " |
| " | 2432 | " | " | " " |
| " | 2407 | " | " | " " |
| 8-30-24 | 2992 | " | " | Wurst Coal & Hlg. Co. |
| " | 9536 | " | " | Anheuser-Busch, Inc. |
| [fol. 455] | | | | |
| " | 9522 | " | " | " " |
| " | 2417 | " | " | " " |
| " | 9511 | " | " | " " |
| " | 2327 | " | " | " " |
| " | 9544 | " | " | " " |
| " | 2211 | " | " | " " |
| " | 2387 | " | " | " " |
| 8-31-24 | 2851 | " | " | Manufacturers Ry. |
| " | 2387 | " | " | Anheuser-Busch, Inc. |
| " | 2398 | " | " | " " |
| " | 2303 | " | " | " " |
| " | 2351 | " | " | " " |
| " | 9529 | " | " | " " |
| " | 2418 | " | " | " " |
| " | 9526 | " | " | " " |
| " | 2309 | " | " | " " |
| " | 2444 | " | " | " " |
| " | 2217 | " | " | " " |
| " | 2335 | " | " | " " |
| " | 2406 | " | " | " " |

222 Cars

Deed, February 1, 1915, made by Anheuser-Busch Brewing Association, conveying an easement upon and over certain property in the City of St. Louis, Missouri, to Manufacturers' Railway Company.

Statement, Revisions to Be Made in Exhibit 33

"Manufacturers' Railway Company

"Pursuant to the discussion recorded on pages 203, 204 and 208, including the instructions by Assistant Director Burnside at the bottom of page 204 and near the middle of page 208, there is submitted a revised copy of Exhibit 33. Also, the oral testimony beginning on page 200, second paragraph beginning 'In respect to the element of cash working capital' and continuing to the top of page 203 ending 'will be less in each of those years than for the year 1921,' should be corrected to agree with the revisions on Exhibit 33 and read as follows:

'In respect to the elements of cash working capital, it appears from information furnished by the carrier, supplemental in small part by information from its annual reports to the Commission for the periods in question, as summarized in Exhibit 33, that during the respective recapture periods there was performed common-carrier service from its cash to meet the payments arising from that [fol. 456] service was received sufficiently in advance of the maturity of the payments to accumulate an average daily surplus of receipts amounting to about $7,086 for the period of 10 months ended December 31, 1920; about $11,563 for the year 1921; about $12,122 for the year 1922; and about $23,481 for the year 1923.

'These amounts show that the average relation between the inflow and outflow of cash in connection with the performance of common-carrier service did not entail, during any of these periods, a permanent investment of cash by the carrier in order, without encroaching upon any of the cash receipts assignable to the payment of interest, dividends, and any corporate dispositions, to meet payments arising in connection with such service and maturing in advance of the full receipt of cash flowing in from that service.

'There still remains the question as to the use of a buffer fund. If the average daily surpluses of cash received over cash paid during the several periods be compared with the respective average monthly payments during those periods, it appears that the average daily surplus was equal to about 38 per cent of the average monthly payments during the 10 months of 1920; to about 48 per cent. during the year 1921; to about 63 per cent. during the year 1922; and to about 89 per cent. during the year 1923. An examination of the receipts day by day and the payments day by day for the average monthly cycle of inflow and outflow shows no fluctuation from the average relation between receipts and payments of such an extent to absorb on any day surpluses averaging that degree of margin above the current requirements to meet payments.

'The conclusion reached from this analysis of the data from the carrier's accounts and operating statistics is that working capital in the form of a stock of material and supplies was used during the several recapture periods in the respective amounts already stated; but that no investment of cash working capital was used for operating purposes, since the portion of the receipts from *common*-carrier operations assignable to the payments arising from those operations was always adequate to meet the payments as they were made.' "

[fol. 457] Letter, from Clark & La Roe, dated February 25, 1926, to Hon. B. H. Meyer of the Interstate Commerce Commission, setting forth the amounts by which the actual net additions and betterments between July 1, 1914 and June 30, 1917 on the Manufacturers', and between July 1, 1914, and June 30, 1919, on the O'Fallon, exceeded the estimated cost of such additions and betterments based on 1914 prices. For the Manufacturers', the actual net cost of additions and betterments from July 1, 1914 to June 30, 1917, exceeded the estimated cost of the same based on 1914 prices by $2,349.40, and on the O'Fallon the actual cost of additions and betterments from July 1, 1914 to June 30, 1919, exceeded the estimate cost based on 1914 prices by $38,843.12.

[fol. 458] Letter, dated October 11, 1924, from C. V. Burnside to Clark & La Roe, relating to the numbering of certain exhibits.

Letter, dated October 13, 1924, from Clark & La Roe to C. V. Burnside, transmitting a number of documents already described and relating to the numbering thereof.

Letter, dated October 14, 1924, from C. V. Burnside to Clark & La Roe, acknowledging receipt of certain documents.

Letter, dated October 20, 1924, from Clark & La Roe to C. V. Burnside, stating that during the month of August, 1924, there was no through traffic from the Manufacturers' Railway to the St. Louis & O'Fallon Railway, with the possible exception of three or four cars of miscellaneous commodities, but that in former years there were movements from the St. Louis & O'Fallon Railway to the Manufacturers' Railway.

Letter, dated Ocober 21, from C. V. Burnside o Clark & La Roe, acknowledging receipt of the above letter.

Letter, dated October 20, 1924, from Clark & La Roe to C. V. Burnside, transmitting three deeds.

Deed, dated June 10, 1885, consisting of three sheets, made by Silas Bent and Ann E. Bent, his wife, to Anheuser-Busch Brewing Association, conveying certain lands in the City of St. Louis, Missouri.

[fol. 459] Deed, dated January 23, 1886, consisting of three sheets, between Julia M. Greene and Theodore P. Greene, her husband, and Annheuser-Busch Brewing Association, conveying to the latter certain lands in the City of St. Louis, Missouri.

Deed, dated December 12, 1898, consisting of two pages, between George W. Allen and Lydia J. M. Allen, his wife, and Anheuser-Busch Brewing Association, conveying to the latter certain lands in the City of St. Louis, Missouri.

Letter, dated October 21, 1924, from C. V. Burnside to Clark & La Roe, acknowledging receipt of the deeds.

Letter, dated February 13, 1925, from Clark & La Roe to Philip Doherty, relating to certain corrections in the transcript.

Letter, dated January 23, 1925, from P. J. Doherty to Clark & La Roe, relating to certain errors in the land reports.

Letter, dated April 24, 1925, from Clark & La Roe to Director Mahaffie, accepting, as correct, certain net railway operating figures for the St. Louis & O'Fallon and for Man-

ufacturers', as set forth in Director Mahaffie's letter of April 11, 1925.

Letter, dated April 11, 1925, from Director Mahaffie to Clark & La Roe, stating that an agreement has been reached between the Bureau and the Carriers that the correct net railway operating income of the Carriers for the various periods is as follows:

"St. Louis-O'Fallon Railway Company

| | |
|---|---|
| For the period March to December, inclusive, 1920 | $147,519.89 |
| For the year ended Dec. 31, 1921 | 183,726.73 |
| For the year ended Dec. 31, 1922 | 165,123.47 |
| For the year ended Dec. 31, 1923 | 147,653.98 |

[fol. 460] "Manufacturers' Railway Company

| | |
|---|---|
| For the period March to December, inclusive, 1920 | $64,526.97 |
| For the year ended Dec. 31, 1921 | 52,092.13 |
| For the year ended Dec. 31, 1922 | 95,258.34 |
| For the year ended Dec. 31, 1923 | 84,371.29" |

Petition, filed May 12, 1926, with the Interstate Commerce Commission by the Valuation Committee of the National Association of Railroad and Utilities Commissioners, requesting leave to intervene in Finance Dockets Nos. 3908 and 4026.

Order, by Interstate Commerce Commission permitting the intervention of the Valuation Committee of the National Association of Railroad and Utilities Commissioners "in these proceedings for the purpose of being heard on oral argument, if oral argument is heard."

Letter, dated May 14, 1926, from W. G. Brantley to Hon. Joseph B. Eastman, asking leave to take part in the oral argument of Finance Dockets Nos. 3908 and 4026 as amicus curiae.

Order, by Interstate Commerce Commission permitting W. G. Brantley, of counsel, Presidents' Conference Committee, Federal Valuation of the Railroads in the United States, "to intervene in these proceedings for the purpose of being heard on oral argument as an amicus curiae."

Order, by Interstate Commerce Commission reopening Finance Dockets Nos. 3908 and 4026 and assigning the proceedings for further hearing on the question of excess operating expenses during the year 1923, in Washington, D. C., on June 21, 1926, before Examiner J. P. Kelley.

Petition, entitled "Finance Docket No. 3908, Excess Income of St. Louis & O'Fallon Railway Company, and No. 4026, Excess Income of Manufacturers' Railway Com-[fol. 461] pany," consisting of five pages, dated June 1, 1926, filed by National Conference on Valuation of American Railroads, by Donald R. Richberg, General Counsel, and Herman L. Ekern, Attorney General of the State of Wisconsin, of counsel, requesting permission to intervene in these proceedings and in any and all proceedings before the Commission under Section 15a of the Interstate Commerce Act and to be treated as a party thereto; for the right to take part therein and particularly to be heard upon request and such oral arguments as may be had thereupon.

Order, made by the Interstate Commerce Commission permitting the intervention of said National Conference on Valuation of American Railroads "in these proceedings for the purpose of being heard on oral argument, if oral argument is heard."

Letter, dated June 4, 1926, from Leslie Graven, Counsel, Western Group, Presidents' Conference Committee on Federal Valuation of Railroads in the United States, to Hon. B. H. Meyer, requesting leave to participate in the oral argument in Finance Dockets Nos. 3908 and 4026 as amicus curiae.

Order, made by the Interstate Commerce Commission permitting the intervention in Finance Docket Nos. 3908 and 4026 of Leslie Craven "for the purpose of being heard on oral argument as amicus curiae."

Order, made by the Interstate Commerce Commission reassigning the hearing in Finance Dockets Nos. 3908 and 4026 before Examiner J. P. Kelley from June 21, 1926 to July 12, 1926, at 10 o'clock A. M., Standard Time, at the office of the Interstate Commerce Commission, Washington, D. C., before Examiner Kelley.

Letter, dated June 22, 1926, from Fred H. Wood, representing other carriers involved in pending recapture

cases, to Hon. Joseph B. Eastman, requesting permission to be heard on oral argument in Finance Dockets No. 3908 [fol. 462] and to file a brief as amicus curiae.

Order, made by Interstate Commerce Commission in Finance Dockets Nos. 3908 and 4026 permitting Fred H. Wood "to intervene in these proceedings for the purpose of filing a brief and being heard on oral argument as amicus curiae."

Letter, dated June 17, 1926, from F. G. Dorety, General Solicitor of Great Northern Railway Company, to George B. McGinty, Secretary, Interstate Commerce Commission, enclosing thirty copies of a brief and requesting permission that suit might be filed and that he be permitted to make oral argument as amicus curiae.

Order, made by Interstate Commerce Commission permitting F. G. Dorety to intervene in Finance Dockets Nos. 3908 and 4026 "for the purpose of filing a brief and being heard on oral argument as amicus curiae."

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EXCERPT FROM MINUTES

(8) Excerpt from stenographer's minutes of the oral argument of Hon. Edgar G. Clark on behalf of The St. Louis & O'Fallon Railway Company and Manufacturers' Railway Company in this proceeding:

"That part of paragraph (6) of Section 15a, to which I now especially refer will bear very careful reading and rereading, if the full intent and purpose of it is to be divulged. The language is:

'For the purpose of this paragraph, the value of the railway property and the net railway operating income of a group of carriers, which the Commission finds are under common control and management and are operated as a single system, shall be computed for the system as a whole, irrespective of the separate ownership and accounting returns of such system.'

[fol. 463] "That language is, I think, a complete answer to the proposition that physical connection and actual running of through trains is prerequisite to a finding that a group of carriers as they are designated in the statute, form a single system.

"Now as to many of these important questions regarding valuation, the law provides for judicial review; but in this instance that I am discussing, there is no such provision, that it is my deliberate judgment that there is no appeal from the decision of the Commission as to whether or not these roads form a system within the meaning of that paragraph, unless it would be under inconceivable circumstances where the Commission exercised a power or a discretion that was so arbitrary as to fall outside the four corners of the act.

"Commissioner Atchison: Mr. Clark, I hope that during the course of your argument you will be able to give us your opinion as to the scope of the original proceedings. You have said with respect to this feature, you think our conclusion is final in the absence of certain exceptions, but with respect to the ascertainment of the recapturable amount, are we doing more than making a judicial determination of how much we shall ask the carriers for?

"Mr. Clark: I should say, Mr. Commissioner, that when you have reached your conclusion, you have laid down the foundation for the action which the law plainly contemplates that the Commission shall take. The law provides that the amount of recapture is recoverable by the Commission. Presumably the only way the Commission can recover it, in the face of resistance by the carrier, is in a civil suit. It is my judgment that any question effecting value which you place upon property for recapture purposes, is open for judicial review."

(9) Certificate signed and sealed by the Secretary of the Commission, certifying that the foregoing constituted all of the record of the proceedings before the Commission in Finance Dockets Nos. 3908 and 4026, being, respectively, Excess Income of The St. Louis & O'Fallon Railway Company and Excess Income of Manufacturers' Railway Company, except the briefs, exceptions to the proposed report of Examiner J. Paul Kelley, and oral arguments.

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[fol. 464] Clerk's certificate to foregoing transcript omitted in printing.

[fol. 465] IN SUPREME COURT OF THE UNITED STATES

No. 131

STATEMENT OF POINTS TO BE RELIED UPON—Filed May 21, 1928

Now comes the St. Louis and O'Fallon Railway Company (hereinafter also called the "O'Fallon"), and Manufacturers' Railway Company (hereinafter also called the "Manufacturers' "), Appellants, and state that the points included within their Assignment of Errors and upon which they intend to rely in their brief and oral argument in this Court, on the hearing of the appeal for the reversal of the decree of the District Court, are as follows, the Interstate Commerce Commission being hereinafter also called the "Commission":

Point 1. That the District Court erred in not holding that the Recapture Order of the Commission, that is under attack in this case, will, if enforced, deprive the O'Fallon of its property without due process of law, in contravention of the Fifth Amendment to the Constitution of the United States, and is therefore null and void.

[fol. 466] Point 2. That the District Court erred in holding that the verity of the Commission's valuation made in connection with its said Order, "need not be examined and cannot affect this recapture order," and in holding that it was unnecessary for the Court to determine the various contentions made by the appellants concerning the proper manner of ascertaining the value of the property of appellants, and each of them, held for and used in the service of transportation.

Point 3. That the District Court erred in considering and treating the question of unlawful confiscation in regard to the respective amounts ordered to be paid to the Commission and set aside in a reserve fund, as though this were a confiscatory rate case in which the adequacy of the total return to appellant, the O'Fallon, would be controlling rather than a case in which money, lawfully the private property of the O'Fallon, is sought to be unlawfully taken,

and in which the adequacy or inadequacy of the total return to the O'Fallon is immaterial.

Point 4. That the District Court erred in not holding that it was necessary in order to determine the validity of the said Order of the Commission, to determine by the exercise of the Court's independent judgment on the evidence introduced, whether the true value of the property of the O'Fallon held for and used in the service of transportation was substantially in excess of the value found and used by the Commission as the basis of its Order.

Point 5. That the District Court erred in not holding that the said Order of the Commission was null and void and unenforcible, by reason of the failure of the Commission to find, and to consider and give substantial weight to, the current cost of reproducing the property of the O'Fallon held for and used in the service of transportation.

[fol. 467] Point 6. That the District Court erred in not holding that it appeared upon the face of the said report and Order of the Commission, and also from the uncontradicted evidence before the Commission, that the true value of the property of the O'Fallon held for and used in the service of transportation, as of the recapture periods and each of them, covered thereby, was substantially in excess of the value found by the Commission in its said report, and used by the Commission as the basis of its said Order.

Point 7. That the District Court erred in not holding that the said Order of the Commission was and is void, because it is unsupported by the evidence before the Commission; because it is based upon erroneous principles of law; and because in making it, the Commission gave consideration to matters not in evidence before it and to a substantial extent based its said Order upon such matters.

Point 8. That the District Court erred in not holding that the said Order of the Commission was and is void, because in determining the value of the property of the O'Fallon held for and used in the service of transportation, upon which determination and value the said Order was based, the Commission failed and refused to give due consideration or weight to all the elements of value recognized by the law of

the land as necessary to be given consideration and weight, for rate-making and recapture purposes.

Point 9. That the District Court erred in not holding that the Order of the Commission was and is void, because in excess of the statutory authority conferred upon the Commission.

Point 10. That the District Court erred in not holding: that the true value of the property of the O'Fallon held [fol. 468] for and used in the service of transportation, substantially exceeded during each of the recapture periods, the values found by the Commission upon which its Order is based; and that the Order of the Commission was and is void, because the amount directed to be paid to the United States thereunder, exceeded one-half of the excess over six per cent on the true value of the property of the O'Fallon held for and used in the service of transportation.

Point 11. That the District Court erred: in holding that the O'Fallon and Manufacturers' did not constitute a group of carriers under common control and management and operated as a single system; and in holding that the evidence before the Commission sustained the finding of the Commission, that the O'Fallon and Manufacturers' did not constitute a group of carriers under common control and management and operated as a single system; and in not holding that the finding of the Commission, that the O'Fallon and Manufacturers' did not constitute a group of carriers under common control and management and operated as a single system, was unsupported by the evidence before the Commission.

Point 12. That the District Court erred in holding, that the establishment of rates under Section 15a of the Interstate Commerce Act, as amended by the Transportation Act,—so that carriers as a whole (or as a whole in each of such rate groups or territories as the Commission may from time to time designate), will, under honest, efficient and economical management and reasonable expenditures for maintenance of way, structures and equipment, earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used

by such carriers in the service of transportation, is not a prerequisite to the recapture of excess earnings under said Section 15a.

[fol. 469] Point 13. That the District Court erred in not finding and holding, that for each of the recapture periods ending December 31, 1920, December 31, 1921, December 31, 1922, and December 31, 1923, the Commission had not under said Section 15a, so established rates in the group in which the property of the O'Fallon held for and used in the service of transportation had been placed by the Commission under said Section, that the carriers therein earned an annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation; and that by reason thereof the provisions of said Section 15a governing the payment and disposition of excess earnings thereunder were inapplicable, and the said Order of the Commission, insofar as it related to each of said periods, was void.

Point 14. The District Court erred in not holding that the recapture provisions of Section 15a of the Interstate Commerce Act as amended by the Transportation Act (1920), were invalid as a delegation of legislative power.

Point 15. That the District Court erred in not holding, that the reserve fund provisions of said Section 15a were null, and will, if said Order is enforced, deprive the O'Fallon of its property without due process of law, in contravention of the Fifth Amendment to the Constitution of the United States; and in not holding that so much of said Order as requires the establishment of a "reserve fund" by the O'Fallon, is void.

Point 16. That the District Court erred in not holding that so much of said Order as required the payment of excess earnings and the creation of a reserve, out of the earnings of the O'Fallon for the period between March 1, 1920 and August 26, 1920, was and is void and unenforcible and in excess of the statutory authority conferred upon the Commission.

[fol. 470] Point 17. That the District Court erred: in holding that no evidence except that introduced and received in the hearings before the Commission, was admissible in the trial of this case in the District Court; and in excluding, over the objection of the O'Fallon and Manufacturers', the evidence offered by them in addition to the evidence that was before the Commission, tending to show the true value of their properties held for and used in the service of transportation during the periods of time covered by said report and Order of the Commission, and tending also to show that there was single-system operation.

Point 18. That the District Court erred in not holding, that it was necessary in order to determine the validity of said Order, to determine, by the exercise of the Court's independent judgment on the evidence introduced and on the additional evidence offered by the O'Fallon and Manufacturers' whether the true values of the property of the O'Fallon and of the Manufacturers' respectively, was substantially in excess of the value found by the Commission.

Point 19. That the District Court erred: in holding that interest is payable on the respective amounts ordered to be paid to the Commission as recapturable by it under said Section 15a; and in holding that such interest began to accrue ninety days after the date of the Commission's Order of February 15, 1927.

Point 20. That the District Court erred in adjudging the costs of the proceedings before it against the O'Fallon and Manufacturers'.

Point 21. That the District Court erred: in dismissing the petition; in holding that the Order of the Commission as modified by the decree of the District Court, was valid; and in not granting the prayer of the O'Fallon and Manufac- [fols. 471-472] turers' for an annulment of the said Order as made by the Commission, and for a perpetual injunction restraining the enforcement thereof.

Frederick H. Wood, Robert H. Kelley, Lesile Craven, David N. Kirby, Solicitors and Counsel for Appellants.

May 21", 1928.

Service on this day of the foregoing Appellants' Statement of Points by delivery to the undersigned of a copy thereof, is hereby acknowledged.

Blackburn Esterline, Assistant to the Solicitor General, for United States of America.

May 21, 1928.

Service on this day of the foregoing Appellants' Statement of Points by delivery to the undersigned of a copy thereof, is hereby acknowledged.

Walter L. Fisher, Oliver E. Sweet, Roland J. Lehman, Solicitors for Interstate Commerce Commission.

[fol. 473] [File endorsement omitted.]

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[fol. 474] In Supreme Court of the United States

No. 131

Designation by Appellants of Parts of the Record Which Shall be Printed—Filed May 22, 1928

To the Clerk of the Supreme Court of the United States:

The Appellants in the foregoing appeal, by their counsel, hereby designate the entire record for printing as necessary for the determination of the points filed, except so much and such parts thereof as are specifically designated below which shall not be printed or otherwise reproduced by the Clerk:

1. In condensed state of all exhibits received in evidence in hearing before the Commission in Finance Dockets Nos. 3908 and 4026 (Condensed Statement of Petitioners' Ex. No. 3 in Court) omit the following:

(a) In Exhibit 3 (P. Marsh) as received before the Commission omit four oaths of Philip Marsh, Auditor of The St. Louis and O'Fallon Railway Company, certifying to

the correctness of the amended returns contained therein.

(b) In Exhibit 14 (Fletcher) as received before the Commission omit table of contents (Tr. 321).

(c) In Exhibit 20 (Witt) as received before the Commission omit table of contents (Tr. 337).

(d) In Exhibit 22 (Hood) as received before the Commission omit four maps showing location of the St. Louis and [fol. 475] O'Fallon Railway, being all of the maps contained in said exhibit and being identical with map of said railway included in Exhibit No. 20 as received before the Commission.

Dated May 22nd, 1928.

Frederick H. Wood, Robert H. Kelley, Leslie Craven, Daniel N. Kirby, Attorneys for Appellants.

Service of a copy of the foregoing "Designation by Appellants of parts of the record which shall be printed" is hereby acknowledged this twenty-second day of May, 1928.

Blackburn Esterline, Assistant to the Solicitor General, for the United States of America. Walter L. Fisher, Oliver E. Sweet, Roland J. Lehman, Solicitors for Defendant, Interstate Commerce Commission.

[fol. 476] [File endorsement omitted.]

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[fol. 477] In Supreme Court of the United States

No. 132

Statement of Points to be Relied Upon—Filed May 23, 1928

United States of America and Interstate Commerce Commission will rely on the following points raised by the assignments of error in brief and in oral argument on the hearing of the cross-appeal.

1. The requirement of the order of the Commission that interest shall be paid at the rate of six per cent per annum on the amounts subject to recapture, beginning four months after the termination of the period for which the excess net railway operating income was computed, was authorized by and was made pursuant to Section 422 of the Transportation Act of 1920 (41 Stat. 488, 489) which added Section 15a to the Interstate Commerce Act.

2. The District Court committed reversable error in cancelling and annulling so much and such part of the order of the Commission as provides and directs the payment of interest for periods of time prior to May seventeenth, 1927. [fol. 478] 3. The District Court committed reversable error in holding and adjudging that the order of the Commission should be modified so as to require the payment of interest only from the date when, under the order, the recapture payments found due should be made which was ninety (90) days after the date of the entry of the order on February 15, 1927 or beginning on May 17, 1927.

## II

### Designation of the Parts of the Record for Printing

To the Clerk:

By their respective counsel the appellants and each of them hereby refer to and designate for printing the documents listed in their praecipe for transcript of record heretofore filed herein.

May 23, 1928.

William D. Mitchell, Solicitor General; Blackburn Esterline, Assistant to the Solicitor General; Walter L. Fisher, Oliver E. Sweet, Roland J. Lehman, Solicitors for Interstate Commerce Commission.

[fol. 479] [File endorsement omitted.]

Endorsed on cover: File No. 33,432, 33,433. E. Missouri D. C. U. S. Term No. 131. The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company, appellants, vs. The United States of America and the Interstate Commerce Commission. Term No. 132. The United States of America and the Interstate Commerce Commission, appellants, vs. The St. Louis and O'Fallon Railway Company and Manufacturers' Railway Company. Filed May 9th, 1928. File No. 33,432, 33,433.

(3126)